1 June 2016

REGAL PETROLEUM PLC

2015 AUDITED RESULTS

Regal Petroleum plc (the "Company", and with its subsidiaries, the "Group"), the AIM-quoted (RPT) oil and gas exploration and production group, today announces its audited results for the year ended 31 December 2015.

Principal Developments

Ukraine Operations

- Despite ongoing geopolitical events in Ukraine, the Group's production operations have continued relatively normally, although such events have resulted in volatility and weakening of the Ukrainian Hryvnia exchange rates, disruption to the gas sales market and gas sales price, and the imposition of significant increases in subsoil taxes, which in turn, have adversely affected the Group's financial results

- Average production over the year to 31 December 2015 of 144,783 m^3/d of gas, 44 m^3/d of condensate and 21 m^3/d of LPG (1,274 boepd in aggregate) (2014: 152,744 m^3/d of gas, 52 m^3/d of condensate and 21 m^3/d of LPG (1,370 boepd in aggregate))

- During the second half of 2015, the Group purchased 4,723,010 m^3 of "wet" gas and following treatment of this gas, produced 2,945,021 m^3 of gas, 778 m^3 of condensate and 5,957 m^3 of LPG (49,473 boe in aggregate)

- Well SV-6 recommenced production in late November 2015 following a successful workover, boosting production levels

Finance

- Revenue for the year to 31 December 2015 of $23.4 million (2014: $34.6 million)

- Loss for the year to 31 December 2015 of $1.0 million (2014: $5.8 million profit)

- Foreign exchange translation loss for the year of $22.4 million (2014: $62.5 million loss) due to devaluation of the Ukrainian Hryvnia against the US Dollar

- Cash generated from operations during the year of $8.8 million (2014: $19.6 million)

- Average realised gas, condensate and LPG prices in Ukraine for the year to 31 December 2015 of $318/$Mm^3$ (UAH6,906/Mm^3), $64/bbl and $69/bbl respectively (2014: $362/$Mm^3$ (UAH4,297/Mm^3) gas, $95/bbl condensate and $94/bbl LPG)

- Cash and cash equivalents at 31 December 2015 of $19.9 million (31 December 2014: $31.8 million), with cash and cash equivalents at 30 May 2016 of $22.2 million, held as to $11.1 million equivalent in Ukrainian Hryvnia and the balance of $11.1 million equivalent predominately in US Dollars and Sterling

- Short-term investments at 31 December 2015 of $13.1 million following reclassification of cash and cash equivalents held with Unex Bank.

Outlook

- Due to the geopolitical situation in Ukraine, the economic impact of the devaluation of the Ukrainian Hryvnia, the decline in worldwide hydrocarbon prices and the uncertainty in the gas sales price, a limited development programme is planned for 2016
- Focus during 2016 on continued geological, geophysical and well performance studies to improve understanding of the sub-surface at MEX-GOL and SV fields and commencement of drilling of MEX-109 well
- Funding of 2016 development programme anticipated to be from existing cash and cash equivalents and operational revenues
- Geopolitical and economic outlook in Ukraine remains uncertain

The Annual Report and Financial Statements for 2015, together with the Notice of Annual General Meeting, will be posted to shareholders and published on the Company's website later this month.

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Philip Frank, PhD Geology, Chartered Geologist, FGS, PESGB, consultant to the Company, has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.

Definitions

bbl	barrel
boe	barrels of oil equivalent
Bscf	thousands of millions of scf
boepd	barrels of oil equivalent per day
HSES	health, safety, environment and security
km	kilometres
km^2	square kilometres
LPG	liquefied petroleum gas
m^3	cubic metres
m^3/d	cubic metres per day
Mm^3	thousand cubic metres
Mtonnes	thousand tonnes
MMbbl	million barrels
MMboe	million barrels of oil equivalent
%	per cent
scf	standard cubic feet measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
$	United States Dollar
UAH	Ukrainian Hryvnia

Chairman's Review

The Group is continuing with the development of its Mekhediviska-Golotvshinska ("MEX-GOL") and Svyrydivske ("SV") gas and condensate fields in north-eastern Ukraine, which are held under 100% owned and operated production licences.

The major events that have taken place in Ukraine since late 2013, including the change of Government, civil unrest and military conflict in the east of the country, have meant that there has been a great deal of uncertainty about the political, fiscal and economic outlook in Ukraine.

Nevertheless, the Group's operational activities have continued to be relatively unaffected by the ongoing events in Ukraine, and the Group has been able to produce relatively normally at its MEX-GOL and SV fields. However, the continuing geopolitical situation has resulted in significant volatility and weakening of the Ukrainian Hryvnia exchange rates, uncertainty in the gas sales price, the imposition of significant increases in subsoil taxes and disruption to the gas supply market over the 2014/2015 winter period. As well as adversely affecting the Group's financial results for 2015, these continuing uncertainties are making it difficult to commit to major capital investment and causing delays to the further development of the MEX-GOL and SV fields in the near term.

During 2015, the Ukrainian Hryvnia devalued significantly against the US Dollar, falling from UAH15.8/$1.00 on 1 January 2015 to UAH24.0/$1.00 on 31 December 2015, which resulted in a substantial foreign exchange translation loss of $24.8 million for the Group. This has adversely impacted the carrying value of the oil and gas development and producing asset due to the translation of two of the Group's subsidiaries from their functional currency of Ukrainian Hryvnia to the Group's presentation currency of US Dollars. As a result of the significant devaluation of the Ukrainian Hryvnia, the National Bank of Ukraine has imposed comprehensive restrictions on the purchase of foreign currency and the remittance of funds outside Ukraine. These restrictions, and the many other economic issues in Ukraine, have put great strain on the Ukrainian banking system, with increasing risks to the capital strength, liquidity and creditworthiness of a number of banks, and very high interest rates in the wholesale and overnight markets.

Due to these banking restrictions, the Group is unable to remit funds outside Ukraine, which has resulted in the Group's cash holdings and short-term investments in Ukrainian Hryvnia remaining at high levels during the year.

In light of the stresses in the banking sector in Ukraine, further details of which are set out under the heading Risks relating to the Ukrainian banking sector in the Operational Environment, Principal Risks and Uncertainties section below, the Group has taken steps to diversify its banking arrangements between a number of banks in Ukraine.

However, at present, the Group holds a significant proportion of its Ukrainian Hryvnia cash deposits in PJSC Unex Bank ("Unex Bank"), which is part of the PJSC Smart-Holding Group (the "Smart Holding Group"), which is ultimately controlled by Mr Vadim Novinskiy, who also controls an indirect majority shareholding in the Group. As a result, Unex Bank is a related party to the Group.

Given the situation in Ukraine and its impact on the banking sector, in May 2015 the Group obtained a guarantee from Pelidona Services Limited and a share pledge over a 100% interest in Prom-Energo Product LLC, which are companies within the Smart Holding Group, in support of the Group's cash deposits in Unex Bank**.** As a result of a reassessment of the risks and limited liquidity associated with these cash deposits, which amounted to $13.1 million (held in Ukrainian Hryvnia) as at 31 December 2015, the Group considered it appropriate to reclassify such cash deposits as short-term investments (with a carrying value equal to the cash deposits), rather than cash or cash equivalents. At the end of February 2016, the duration of the guarantee and share pledge was extended until the end of August 2016.

The Group is currently engaged in negotiations with the Smart Holding Group and Unex Bank to seek a resolution of this situation.

There has been a great deal of volatility in the gas price in Ukraine, due not only to the geopolitical situation but also the fall in European gas prices during the year. The prevailing industrial gas price in Ukraine, which is set in Ukrainian Hryvnia, was broadly related to the US Dollar denominated imported price of gas, but with effect from 1 October 2015, the Ukrainian Government enacted legislation to deregulate the gas supply market. The implementation of this new legislation has now been effected and the market gas price now broadly correlates to the imported gas price.

During the period from August 2014 to the end of 2015, the Ukrainian Government imposed significantly increased subsoil taxes on oil and gas production in Ukraine, which had the effect of nearly doubling the taxes payable on the Group's gas production. However, with effect from 1 January 2016, the subsoil taxes on gas production reverted to substantially the same levels that were in effect prior to the introduction of the increase. The increase in subsoil taxes negatively impacted the Group's cost of sales and, in turn, the Group's financial results for the 2015 financial year.

As regards the Group's financial performance in the year ended 31 December 2015, a loss of $1.0 million (2014: $5.8 million profit) was made, mainly due to lower realised gas prices and increased subsoil taxes, and the devaluation of the Ukrainian Hryvnia against the US Dollar which resulted in a significant foreign exchange loss in the foreign exchange reserve. Cash generated from operations during the year was positive at $8.8 million (2014: $19.6 million).

On operational matters, in late 2014, the Group entered into an agreement with Pryrodni Resursy, the operator of the adjacent Lutsenky field, under which the Group agreed to purchase "wet" gas and treat it through the Group's gas processing facilities to strip out and sell the liquids. During the first half of the year, the necessary pipeline infrastructure was installed and commissioning commenced in early July 2015. In the second half of 2015, the Group purchased 4,723,010 m^3 of "wet" gas and following treatment of this gas, produced 2,945,021 m^3 of gas, 778 m^3 of condensate and 5,957 m^3 of LPG (49,473 boe in aggregate).

Also in late 2014, the Group entered into an agreement with NJSC Nadra, the State-owned gas producer, for the lease of the SV-6 well, which was a suspended well owned by NJSC Nadra within the Group's SV licence area. Under this agreement, the Group agreed to undertake workover operations on the well, which were successful, with the well being brought into production at the end of November 2015.

Average production from the MEX-GOL and SV fields for the year ended 31 December 2015 was 144,783 m^3/d of gas, 44 m^3/d of condensate and 21 m^3/d of LPG (1,274 boepd in aggregate), which was lower compared to 2014 predominately as a result of normal production decline (2014: 152,744 m^3/d of gas, 52 m^3/d of condensate and 21 m^3/d of LPG (1,370 boepd in aggregate)). However, following the commencement of production from the SV-6 well, average production for December 2015 increased to 191,098 m^3/d of gas, 46 m^3/d of condensate and 21 m^3/d of LPG (1,574 boepd in aggregate).

The geopolitical upheaval, the volatility in the gas price and the Ukrainian Hryvnia, and the fiscal and economic uncertainty in Ukraine since the end of 2013, have meant that the Group considered it necessary to reduce its planned capital investment programme. The revised programme during the year was limited to installation of the Lutsenky "wet" gas treatment infrastructure referred to above, undertaking workover operations on the SV-6 well, improvements to the Group's gas processing facilities and pipeline network, and performing remedial work on existing wells.

Business Review and Outlook

The continued instability in Ukraine has meant that planning for the further development of the MEX-GOL and SV fields has been substantially disrupted, and the various political, economic and fiscal uncertainties have made budgeting and commitment to capital investment problematic. The Group has therefore been obliged to take a cautious approach to near term capital investment, whilst undertaking contingent planning for further development of the fields and monitoring the ongoing situation.

Nevertheless, during 2016, we plan to continue with further geological, geophysical and well performance studies, aimed at improving the understanding of the sub-surface within the MEX-GOL and SV licences, as well as commencing the drilling of the MEX-109 well, the possible workover of the GOL-2 and/or MEX-

102 wells, the installation of additional compression equipment, continued investment in the Group’s gas processing facilities and pipeline network, and performing remedial work on existing wells.

It is hoped that the situation in Ukraine will improve in due course, allowing better visibility on the political and economic outlook and in turn assisting with the Group’s development planning at its MEX-GOL and SV fields.

In conclusion, on behalf of the Board, I would like to thank our staff for the continued dedication and support they have shown, particularly during the difficult events in Ukraine over the last year.

Keith Henry
Executive Chairman

Operations Review

Health, Safety, Environment and Security ("HSES")

The Group is committed to maintaining the highest HSES standards and the effective management of these areas is an intrinsic element of the overall business ethos. Through strict enforcement of the Group's HSES Management System, together with regular management meetings, training and the appointment of dedicated safety professionals, the Group strives to ensure that the impact of its business activities on its staff, contractors and the environment is as low as is reasonably practicable. The Group reports safety and environmental performance in accordance with industry practice and guidelines.

Ukraine Operations

Asset Overview

Regal Petroleum Corporation Limited (a wholly owned subsidiary in the Group) holds a 100% working interest and is the operator of the MEX-GOL and SV fields. The licences are the Group's sole project and extend over a combined area of 269 km², approximately 200 km east of Kiev. The two licences are adjacent and the interests are operated and managed as one field. The licences were granted in July 2004 and have a duration of 20 years.

The fields are located, geologically, towards the middle of the Dnieper-Donets sedimentary basin which extends across the majority of north-east Ukraine. The vast majority of Ukrainian gas and condensate production comes from this basin. The reservoir comprises a series of gently dipping Carboniferous sandstones of Visean age ("B-Sands") inter-bedded with shales that form stratigraphic traps at around 4,700 metres below the surface, with a gross thickness between 800 metres and 1,000 metres. Analysis suggests that these deposits range from fluvial to deltaic in origin. Below these reservoirs is a thick sequence of shale above deeper, similar, sandstones which are encountered at a depth of around 5,800 metres. These sands are of Tournasian age ("T-Sands"). Deeper sandstones of Devonian age ("D-Sands") have also been penetrated in the fields.

Production

The Group's average production from the MEX-GOL and SV fields over the year ended 31 December 2015 was 144,783 m^3/d of gas, 44 m^3/d of condensate and 21 m^3/d of LPG, which equates to a combined total oil equivalent of 1,274 boepd (2014: 152,744 m^3/d of gas, 52 m^3/d of condensate and 21 m^3/d of LPG (1,370 boepd in aggregate).

Production was boosted by the commencement of production from the SV-6 well at the end of November 2015, with average gas, condensate and LPG production for December 2015 at 191,098 m^3/d of gas, 46 m^3/d of condensate and 21 m^3/d of LPG (1,574 boepd in aggregate).

The Group's average production for the period from 1 January 2016 to 30 May 2016 was 169,649 m^3/d of gas, 42 m^3/d of condensate and 20 m^3/d of LPG, which equates to a combined total oil equivalent of 1,406 boepd.

Since the Group commenced the treatment of "wet" gas from the adjacent Lutsenky field at the beginning of July 2015, the Group has purchased 4,723,010 m^3 of "wet" gas and following treatment of this gas, produced 2,945,021 m^3 of gas, 778 m^3 of condensate and 5,957 m^3 of LPG (49,473 boe in aggregate).

Operations

The geopolitical upheaval, the volatility in the gas price, the devaluation of the Ukrainian Hryvnia, and the fiscal and economic uncertainty in Ukraine during 2015, meant that the Group considered it necessary to reduce its planned capital investment programme.

The revised programme during the year was limited to installation of the Lutsenky “wet” gas treatment infrastructure, undertaking workover operations on the SV-6 well, improvements to the Group’s gas processing facilities and pipeline network, and performing remedial work on existing wells.

The Lutsenky “wet” gas treatment project arose from an agreement with Pryrodni Resursy, the operator of the adjacent Lutsenky field, under which the Group has agreed to purchase “wet” gas and treat it through the Group’s gas processing facilities to strip out and sell the liquids. This has not only created an additional revenue stream for the Group, but also improved environmental emissions from the Lutsenky field.

The workover of the SV-6 well was undertaken after the Group entered into an agreement with NJSC Nadra, the State-owned gas producer, for the lease of the SV-6 well, which is a suspended well owned by NJSC Nadra, located within the Group’s SV licence area. Successful workover operations were performed during the year, and the well was brought onto production at the end of November 2015.

Reserves

The Group’s estimates of the remaining Reserves and Resources at the MEX-GOL and SV licence areas are derived from an assessment undertaken by independent petroleum consultants, ERC Equipoise Limited (“ERCE”), as at 31 December 2013 (the “ERCE Report”), which was announced on 25 March 2014. During the period from 1 January 2014 to 31 December 2015, the Group has produced 0.97 MMboe.

The ERCE Report estimated the remaining Reserves as at 31 December 2013 in the Visean B-Sands reservoirs of the MEX-GOL and SV fields, based on the drilling of ten further wells, as follows:-

	Proved (1P)	Proved + Probable (2P)	Proved + Probable + Possible (3P)
Gas	8.3 Bscf	50.1 Bscf	71.2 Bscf
Condensate	0.4 MMbbl	2.5 MMbbl	4.1 MMbbl
LPG	17.4 Mtonnes	105.6 Mtonnes	149.8 Mtonnes
Total	**1.9 MMboe**	**11.7 MMboe**	**17.2 MMboe**

The ERCE Report estimated the Contingent Resources in the Visean B-Sands reservoirs of the MEX-GOL and SV fields as follows, based on the potential drilling of up to 113 future wells (not currently budgeted):-

	Contingent Resources (1C)	Contingent Resources (2C)	Contingent Resources (3C)
Gas	198 Bscf	334 Bscf	519 Bscf
Condensate	8.5 MMbbl	17.4 MMbbl	32.7 MMbbl
Total	**41.5 MMboe**	**73.1 MMboe**	**119.1 MMboe**

Finance Review

The Group's loss for the year ended 31 December 2015 was $1.0 million (2014: $5.8 million profit). Revenue in 2015, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was lower at $23.4 million (2014: $34.6 million) due to a combination of reduced production volumes and the devaluation of the Ukrainian Hryvnia against the US Dollar, resulting in lower average gas prices in US Dollar terms.

During 2015, the Ukrainian Hryvnia has significantly devalued against major world currencies, including against the US Dollar, where it has fallen from UAH15.8/$1.00 on 1 January 2015 to UAH24.0/$1.00 on 31 December 2015. Due to the translation of two of the Group's subsidiaries from their functional currency of Ukrainian Hryvnia to the Group's presentation currency of US Dollars, the devaluation against the US Dollar has had the effect of reducing both revenues and costs, as well as the carrying value of the Group's assets. A foreign exchange translation loss for the year of $24.8 million (2014: $62.5 million loss) was made as a result of the devaluation of the Ukrainian Hryvnia against the US Dollar.

As a result of the significant devaluation of the Ukrainian Hryvnia, the National Bank of Ukraine, among other measures, imposed comprehensive restrictions on the purchase of foreign currency and on the remittance of funds outside Ukraine. These restrictions, and the many other economic issues in Ukraine, have put great strain on the Ukrainian banking system, with increasing risks in the capital strength, liquidity and creditworthiness of a large number of local banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities. As a result of recommendations from the International Monetary Fund, significant reforms to the Ukrainian banking sector are being implemented, which are intended to strengthen the capitalisation of the Ukrainian banks.

The deterioration in the banking sector in Ukraine has caused the Group to take steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, but the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts. In addition, the severe banking restrictions referred to above, have meant that the Group is unable to remit funds outside Ukraine and as a result, the Group's cash holdings of Ukrainian Hryvnia in Ukraine remained at a high level during the year. Further details are set out in the Operational Environment, Principal Risks and Uncertainties section.

Cash generated from operations during the year was $8.8 million (2014: $19.6 million), which was substantially lower due to the devaluation of the Ukrainian Hryvnia against the US Dollar, lower production volumes, lower gas prices and increased subsoil taxes.

For the year ended 31 December 2015, the average realised gas, condensate and LPG prices were $318/Mm^3 (UAH6,906/Mm^3), $64/bbl and $69/bbl respectively (2014: $362/Mm^3 (UAH4,297/Mm^3) gas, $95/bbl condensate and $94/bbl LPG).

During the first four months of 2016, the average realised gas, condensate and LPG prices were $221/Mm^3 (UAH5,667/Mm^3), $36/bbl and $38/bbl respectively. The current realised gas price is $190/Mm^3 (UAH4,765/Mm^3).

The gas supply market in Ukraine was regulated and gas prices were generally benchmarked against the industrial gas price set by the National Commission for State Energy and Public Utilities Regulation which was broadly related to the imported price of gas from Russia. However, with effect from 1 October 2015, the Ukrainian Government introduced legislation to deregulate the gas supply market in Ukraine. Since then the market price for gas has broadly correlated to the imported gas price, which has trended lower during recent months, reflecting the decrease in European gas prices.

In late November 2014, the Ukrainian Government made an Order that certain specified industrial organisations were obliged to purchase their gas requirements for the period from 1 December 2014 to 28 February 2015 from Naftogaz, the State-owned gas supplier, rather than from other gas producers in Ukraine, such as the Group. During this period, the Order significantly impacted the gas supply market in

Ukraine, causing disruption to the market and adversely affecting the market gas prices. The Group's gas off-taker was affected by this Order, and consequently the Group had to sell its gas production into the general gas market at the prevailing prices. The prices achieved were less than those achieved prior to the imposition of the Order, and consequently resulted in a negative impact on the Group's financial results during the 2015 year.

Although the Order expired on 28 February 2015, the gas supply market did not return to normal, with a number of industrial organisations continuing to source their gas requirements from Naftogaz rather than the general gas supply market. In addition, declines in industrial consumption resulting from the economic issues in Ukraine have contributed to weakness in demand and gas price in the gas supply market.

During the period from 1 August 2014 to the end of 2015, the Ukrainian Government increased the subsoil taxes payable on gas and condensate production, from 15% to 28% for gas produced from deposits below 5,000 metres and from 28% to 55% for gas produced from deposits above 5,000 metres, and from 18% to 21% for condensate produced from deposits below 5,000 metres and from 42% to 45% for condensate produced from deposits above 5,000 metres. Although the Government stated that these increases in subsoil taxes were a temporary emergency fiscal measure for 2014, the increases continued throughout 2015. However, with effect from 1 January 2016, the subsoil taxes on gas production reverted to substantially the same levels that were in effect prior to the introduction of the temporary increase in 2014. The new subsoil tax rates are 29% for gas produced from deposits at depths above 5,000 metres and 14% for gas produced from deposits below 5,000 metres, and 45% for condensate produced from deposits above 5,000 metres and 21% for condensate produced from deposits below 5,000 metres. The increases in subsoil taxes negatively impacted cost of sales during 2015, and also negatively impacted the Group's financial results for the 2015 year.

Cost of sales for the year ended 31 December 2015 was lower at $19.8 million (2014: $22.7 million), mainly due to lower production volumes and exchange rate fluctuations, and notwithstanding the increased subsoil taxes.

Administrative expenses for the year were lower at $4.0 million (2014: $5.5 million), primarily due to the devaluation of the Ukrainian Hryvnia against the US Dollar.

The tax charge for the year of $2.6 million (2014: $2.3 million) comprises a current tax charge of $1.3 million (2014: $1.0 million) and a deferred tax charge of $1.3 million (2014: $1.3 million).

The Group has recognised a deferred tax asset of $14.4 million at 31 December 2015 (31 December 2014: $20.4 million). This comprises a deferred tax asset of $4.4 million (31 December 2014: $7.8 million) in relation to UK tax losses carried forward, and $10.0 million (31 December 2014: $12.6 million) relating to the Group's oil and gas development and producing asset in Ukraine, which is recognised on the tax effect of temporary timing differences between the carrying value of such asset and its tax base, following its impairment in 2013. The reduction in the deferred tax asset in 2015 is primarily due to foreign exchange translation losses caused by the devaluation of the Ukrainian Hryvnia against the US Dollar and Euro and a reduction in future corporation tax rates in the UK.

Capital investment of $2.3 million predominately reflects investment in the Group's oil and gas development and production asset for the year (2014: $4.3 million). Capital investment was lower in the year as a result of the reduction in the field development programme due to the geopolitical and economic uncertainty in Ukraine.

Cash and cash equivalents held at 31 December 2015 were lower at $19.9 million (31 December 2014: $31.8 million), principally due to $13.1 million, held in Ukrainian Hryvnia at Unex Bank, being reclassified as short-term investments (with an equal carrying value).

The Group's cash and cash equivalents balance at 30 May 2016 was $22.2 million, held as to $11.1 million equivalent in Ukrainian Hryvnia and the balance of $11.1 million equivalent predominantly in US Dollars and Sterling.

The Group operates bank accounts in Ukraine with Unex Bank which is indirectly controlled by Mr V Novinskiy, who also controls a majority shareholding in the Group. As a result, Unex Bank is a related party to the Group. At present, the Group holds a significant proportion of its Ukrainian Hryvnia cash deposits in Unex Bank**.** In May 2015, the Group obtained a guarantee from Pelidona Services Limited and a share pledge over a 100% interest in Prom-Energo Product LLC, which are companies within the Smart Holding Group, in support of the Group's cash deposits in Unex Bank. As a result of a reassessment of the risks associated with these cash deposits, which amounted to $13.1 million (held in Ukrainian Hryvnia) as at 31 December 2015, the Group considered it appropriate to reclassify such cash deposits as short-term investments (with a carrying value equal to the cash deposits), rather than cash or cash equivalents due to the limited liquidity of the asset.

The Group is currently engaged in negotiations with the Smart Holding Group and Unex Bank to seek a resolution of this situation.

Cash from operations has funded the capital investment during the year, and the Group's current cash position and positive operating cash flow are the sources from which the Group expects to fund the 2016 development programme.

The Group manages its revenue, cash from operations and production volumes as key performance indicators. The achieved results for 2015 were revenue of $23.4 million, cash from operations of $8.8 million and daily production volumes of 144,783 m^3/d of gas, 44 m^3/d of condensate and 21 m^3/d of LPG, equating to a combined total oil equivalent of 1,274 boepd (2014: 152,744 m^3/d of gas, 52 m^3/d of condensate and 21 m^3/d of LPG (1,370 boepd in aggregate)). Aggregate production volumes from the MEX-GOL and SV fields for the 2015 year were 52,845,895 m^3 of gas, 16,014 m^3 of condensate and 7,620 m^3 of LPG, equating to a combined total oil equivalent of 464,886 boe (2014: 55,751,626 m^3 of gas, 18,841 m^3 of condensate and 7,687 m^3 of LPG (500,095 boe in aggregate)).

The ongoing situation in Ukraine has resulted in a significant devaluation of the Ukrainian Hryvnia against the US Dollar, continued devaluation of which may affect the carrying value of the Group's assets in the future.

Operational Environment, Principal Risks and Uncertainties

The Group has a risk evaluation methodology in place to assist in the review of the risks across all material aspects of its business. This methodology highlights technical, operational, external and fiduciary risks and assesses the level of risk and potential consequences. It is periodically presented to the Audit Committee and the Board for review, to bring to their attention potential concerns and, where possible, propose mitigating actions. Key risks recognised are detailed below:-

Risks relating to Ukraine
The Ukrainian economy is currently characterised by high political and economic risks. As a developing economy, in addition to the impact of local political and economic instability, Ukraine’s economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Since late 2013, the political situation in Ukraine has experienced significant instability with numerous protests and ongoing political uncertainty that has led to a deterioration of the State’s finances, volatility of financial markets, illiquidity on capital markets, high inflation and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. This caused the ratings of Ukrainian sovereign debt to be downgraded by international rating agencies, but in late 2015, the ratings improved following the restructuring of part of Ukraine’s sovereign debt. During 2015, Ukraine's GDP decreased by 10.4% and annual inflation rose to 43.3% (2014: GDP decreased 6.8%; inflation increased by approximately 25%).

As a result of protests in late 2013 and early 2014, there was a change in the President and Government of Ukraine, which led to a deterioration in relations with Russia. In late February 2014, Russian troops occupied Crimea, and in April and May 2014, pro-Russian groups in the Donetsk and Lugansk regions demanded autonomy from Ukraine, which led to armed conflict with Ukrainian Government forces. In February 2015, a ceasefire agreement was negotiated, and although there has continued to be sporadic fighting, this ceasefire has largely held.

The Group has no assets in Crimea or the areas of conflict in the east of Ukraine, nor do its operations rely on sales or costs incurred there.

The conflict in the region has put further pressure on relations between Ukraine and Russia, and the political tensions have had an adverse effect on the Ukrainian financial markets, hampering the ability of Ukrainian companies and banks to obtain funding from the international capital and debt markets.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian Government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian Government implemented similar measures against Russian products.

During 2015, the Ukrainian Hryvnia has devalued significantly against major world currencies, including against the US Dollar, where it has fallen from UAH15.8/$1.00 on 1 January 2015 to UAH24.0/$1.00 on 31 December 2015. As a result, significant external financing is required to maintain the country’s economic stability. The National Bank of Ukraine, among other measures, has imposed severe restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine. The Ukrainian banking system is fragile due to its weak levels of capital, its weakening asset quality caused by the economic situation, currency depreciation, and the general economic situation in Ukraine.

The Ukrainian Government has continued to work with the United States, European Union and International Monetary Fund in order to maintain financing and avoid defaulting on its loans. On 11 March 2015, a funding package from the International Monetary Fund amounting to $17.5 billion over a four year period was agreed. The terms of this new funding package stipulates a number of fiscal and economic reforms, including reforms in the banking and energy sectors. During 2015, Ukraine received the first and second tranches under the funding programme of $5 billion and $1.7 billion respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for the restructuring of part of the national external debt in the amount of $15 billion. The restructuring extends the maturities of the restructured debt to 2019-2027, fixing annual interest rates at 7.75% and includes the exchange of 20% of the debt into GDP warrants at a par value of $2.9 billion. However, there remains a significant portion of outstanding debt for which a restructuring was not agreed. Further disbursements of International Monetary Fund tranches depend on the implementation of Ukrainian Government reforms, and other economic, legal and political factors.

The final resolution and the effects of the political and economic situation in Ukraine are difficult to predict but they are likely to continue to have severe effects on the Ukrainian economy.

These events have not materially affected the Group’s production operations to date, but the ongoing instability is disrupting the Group’s development and operational planning for its assets. Furthermore, the political, fiscal and economic instability has impacted the Group’s normal business activities, and increased the risks relating to its business operations, financial status, access to secure banking facilities and maintenance of its Ukrainian production licences.

The Ukrainian Government is keen to develop the country’s domestic production of hydrocarbons since Ukraine imports the majority of its gas. While this should put the Group in a well-placed position, as experienced previously, there are significant risks to carrying out business in the country. It is considered that the involvement of Energees Management Limited, as a major shareholder with extensive experience in Ukraine, has helped to mitigate such risks.

Going concern risk
The Group is exposed to risks relating to Ukraine as well as production, hydrocarbon price and other risks, as detailed in this Operational Environment, Principal Risks and Uncertainties section. In view of this, the Group prepares monthly cash flow forecasts which take into account the risks facing the business, to assess its ability to meet its obligations as they fall due, taking into account the risks of variances in revenues.

Having reviewed the financial statements, budgets and forward plans (including sensitivity analysis), the latest operational results, the risks outlined herein, and having taken into account the Group’s cash holdings, the current and recent practice of contracting for drilling services on a fixed-price basis, the absence of long term contractual arrangements relating to drilling, the assessment of well results prior to entering into firm commitments for future drilling operations and the lower committed expenditure in Ukraine, the Directors continue to believe that the Group is able to manage its business risks successfully despite the current uncertain political and economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future regarded as at least 12 months from the date of signing of the Group’s financial statements. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Production risks
Producing gas and condensate reservoirs are generally characterised by declining production rates which vary depending upon reservoir characteristics and other factors. Future production of the Group’s gas and condensate reserves, and therefore the Group's cash flow and income, are highly dependent on the Group's success in operating existing producing wells, drilling new production wells and efficiently developing and exploiting any reserves, and finding or acquiring additional reserves. The Group may not be able to develop, find or acquire reserves at acceptable costs. The experience gained from drilling undertaken to date highlights such risks as the Group targets the appraisal and production of these hydrocarbons.

Risks relating to further development and operation of the Group’s gas and condensate fields in Ukraine
The planned development and operation of the Group’s gas and condensate fields in Ukraine is susceptible to appraisal, development and operational risk. This could include, but is not restricted to, delays in delivery of equipment in Ukraine, failure of key equipment, lower than expected production from wells that are currently producing, or new wells that are brought on-stream, problematic wells and complex geology which is difficult to drill or interpret. The generation of significant operational cash is dependent on the successful delivery and completion of the development and operation of the fields. These risks have been demonstrated by the previous downgrade in the Group’s remaining reserves which resulted in the reduction in the value in use, and consequent impairment loss relating to the

Group's oil and gas development and producing asset in Ukraine. Furthermore, the optimisation of the Group's assets is dependent on maintaining constructive relationships between all business stakeholders.

Exposure to credit, liquidity and cash flow risk
The Group does not currently have any loans outstanding. Local customers are managed in Ukraine and their financial position, the Group's past experience and other factors are evaluated. Internal financial projections are regularly made based on the latest estimates available, and various scenarios are run to assess the robustness of the liquidity of the Group. The Group currently holds sufficient cash and cash equivalents for the anticipated short to medium term needs of the business. Whilst much of the future capital requirement is expected to be derived from operational cash generated from production, including from wells yet to be drilled, there is a risk that in the longer term insufficient operational cash is generated, or that additional funding, should the need arise, cannot be secured.

Risks relating to the Ukrainian banking sector
The instability in Ukraine has led to a significant deterioration of Ukraine's finances, volatility in financial markets, illiquidity on capital markets and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. As a result, significant external financing is required to maintain the country's economic stability. The National Bank of Ukraine, amongst other measures, has imposed comprehensive restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine, with particular restrictions on operations with foreign currency including temporary bans on the payment of dividends in foreign currency and the early repayment of debts to non-residents and the mandatory sale of 75% of revenue in foreign currency. These measures and the many other economic issues in Ukraine have put great strain on the Ukrainian banking system, with increasing risks in the capital strength, liquidity and creditworthiness of a number of banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities.

The new funding package to Ukraine, approved by the International Monetary Fund in March 2015, required significant reforms to the Ukrainian banking sector, which are now being implemented. The reforms are being overseen by the National Bank of Ukraine and involve all banks being inspected and assessed, with particular emphasis on lending to a bank's related parties. The inspections are designed to enable the National Bank to assess the financial strength and liquidity of the banks in Ukraine, and may lead to the National Bank imposing remedial measures, ranging from the imposition of requirements for a bank to bolster its capital strength, requirements for a bank to reduce its exposure to related party lending, the appointment of an administrator to manage the priority of payments by a bank, or in the most extreme cases, the liquidation of a bank.

In light of the deterioration in the banking sector in Ukraine, the Group has taken steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, but the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant.

In addition, the severe banking restrictions referred to above, have meant that the Group is unable to remit funds outside Ukraine, which has resulted in the Group's cash holdings of Ukrainian Hryvnia in Ukraine remaining at a high level over the past year.

The Group operates bank accounts in Ukraine with Unex Bank which is indirectly controlled by Mr V Novinskiy, who also controls a majority shareholding in the Group. As a result, Unex Bank is a related party to the Group. The Group currently holds a significant proportion of its Ukrainian Hryvnia cash deposits in Unex Bank. In May 2015, the Group entered into a guarantee and security over another asset from companies within the Smart Holding Group in support of the Group's cash deposits in Unex Bank. The Group has reclassified such cash deposits as short-term investments, rather than cash or cash equivalents due to their limited liquidity. Notwithstanding the security provided by the Smart Holding Group in support of the cash deposits in Unex Bank, there are significant risks associated with the recovery of such cash deposits and/or enforcement of the security.

The creditworthiness and potential risks relating to the majority of banks in Ukraine are regularly reviewed by the Group, but the ongoing geopolitical and economic events in Ukraine have significantly weakened the Ukrainian banking sector and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts.

Currency risk
The Group's main activities are (i) investment into the development of the Group's Ukrainian gas and condensate asset; (ii) the production and sale of gas, condensate and LPG; and (iii) the continued exploration for further hydrocarbon reserves.

The Group receives sales proceeds in Ukrainian Hryvnia, and the majority of the capital expenditure costs for the 2016 investment programme will be incurred in Ukrainian Hryvnia, thus revenue and costs are largely matched. As with all currencies, the value of the Ukrainian Hryvnia is subject to foreign exchange fluctuations, but as the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies, the Group had previously adopted a policy that, where possible, funds not required for use in Ukraine be retained on deposit in the United Kingdom, principally in US Dollars. However, the severe banking restrictions, referred to above, on the purchase of foreign currency and the remittance of funds outside Ukraine have meant that the Group has been unable to follow this policy, and as a result, the Group's cash holdings of Ukrainian Hryvnia in Ukraine have remained at a high level over the past year.

Furthermore, during 2015, the Ukrainian Hryvnia significantly devalued against major world currencies, including against the US Dollar, where it has fallen from UAH15.8/$1.00 on 1 January 2015 to UAH24.0/$1.00 on 31 December 2015. As at 31 May 2016, the Ukrainian Hryvnia was trading at UAH25.2/$1.00. In response, the National Bank of Ukraine, among other measures, has imposed severe restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine, with particular restrictions on operations with foreign currency including temporary bans on the payment of dividends in foreign currency and the early repayment of debts to non-residents and the mandatory sale of 75% of revenue in foreign currency. In addition, the recent events in Ukraine, as outlined above in *"Risks relating to Ukraine"*, are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. Further devaluation of the Ukrainian Hryvnia against the US Dollar will affect the carrying value of the Group's assets.

Ukraine Production Licences
The Group operates in a region where the right to production can be challenged by State and non-State parties. During 2010, this manifested itself in the form of a Ministry Order instructing the Group to suspend all operations and production from its Ukrainian production licences, which was not resolved until mid-2011. In 2013, new rules relating to the updating of production licences led to further challenges being raised by the Ukrainian authorities to the production licences held by independent oil and gas producers in Ukraine, including the Group, which may result in requirements for remediation work, financial penalties and/or the suspension of such licences, which, in turn, may adversely affect the Group's operations and financial position. All such challenges affecting the Group have thus far been successfully defended through the Ukrainian legal system. However, the business environment is such that these type of challenges may arise at any time in relation to the Group's operations, licence history, compliance with licence commitments and/or local regulations. The Group endeavours to ensure compliance with commitments and regulations via Group procedures and controls or, where this is not immediately feasible for practical or logistical considerations, seeks to enter into dialogue with the relevant Government bodies with a view to agreeing a reasonable time frame for achieving compliance or an alternative, mutually agreeable course of action.

The Group's production licences for the MEX-GOL and SV field currently expire in 2024. However, in the estimation of its reserves, it is assumed that the field development will continue until the end of the field's economic life in 2036, and a consequent assumption is made that licence extensions will be granted in accordance with current Ukrainian legislation. Despite such legislation, it is possible that licence extensions will not be granted, which would affect the achievement of full economic field development and consequently the carrying value of the Group's oil and gas development and producing asset in the future.

Hydrocarbon price risk
The Group derives its revenue principally from the sale of its Ukrainian gas, condensate and LPG production. These revenues are subject to commodity price volatility and political influence. A prolonged period of low gas, condensate and LPG prices may impact the Group's ability to maintain its long-term investment programme with a consequent effect on growth rate which in turn may impact the share price or any shareholder returns. Lower gas, condensate and LPG prices may not only decrease the Group's revenues per unit, but may also reduce the amount of gas, condensate and LPG which the Group can produce economically, as would increases in costs associated with hydrocarbon production, such as subsoil taxes and royalties.

There has been an amount of volatility in gas prices in Ukraine during 2015, arising from the major political events that have taken place in Ukraine during the year, as well as reflecting a global decline in oil commodity prices. In addition, there is a continuing dispute between Russia and Ukraine as to the interpretation of the gas pricing calculation under their longstanding gas supply agreement.

In late November 2014, the Ukrainian Government made an Order that certain specified industrial organisations were obliged to purchase their gas requirements for the period from 1 December 2014 to 28 February 2015 from Naftogaz, the State-owned gas supplier, rather than from other gas producers in Ukraine, such as the Group. During this period, the Order significantly impacted the gas supply market in Ukraine, causing disruption to the market and adversely affecting the market gas prices. The Group’s gas off-taker was affected by this Order, and consequently the Group had to sell its gas production into the general gas market at the prevailing prices. The prices achieved were less than those achieved prior to the imposition of the Government Order, and consequently resulted in a negative impact on the Group’s results for the 2015 financial year. Whilst the Order was not extended beyond 28 February 2015, similar regulations may be imposed in the future.

During 2015, the Ukrainian Government implemented a number of reforms to the internal gas market in Ukraine. With effect from 1 April 2015, the previously State-subsidised domestic gas price began to converge with the industrial gas price, and with effect from 1 October 2015, the gas supply market was deregulated. Since then, the market price for gas has generally correlated to the imported gas price, which has decreased in recent months, reflecting the decline in European gas prices.

The overall economics of the Group’s key asset (being the net present value of the future cash flows from the Ukrainian project) are far more sensitive to long term gas, condensate and LPG prices than short term price volatility. However, short term volatility does affect liquidity risk, as, in the early stage of the project, income from production revenues is offset by capital investment.

Production based taxes
At the end of July 2014, the Ukrainian Government approved emergency fiscal measures designed to assist in alleviating the fiscal and economic pressures affecting the economy of Ukraine. These imposed significant increases to the subsoil tax rates payable on gas and condensate production. The measures were imposed for the limited period from 1 August 2014 to 31 December 2014, but due to the continuing fiscal and economic pressures affecting the economy of Ukraine, these measures were extended until the end of 2015. With effect from 1 January 2016, the subsoil tax rates relating to gas production reverted to substantially the same levels as prior to the temporary increases, but it is possible that similar significant increases to subsoil tax rates may be implemented in the future.

Industry risks
The Group's ability to execute its strategy is subject to risks which are generally associated with the oil and gas industry. For example, the Group’s ability to pursue and develop its projects and development programmes depends on a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, gas, oil, condensate and LPG prices, development costs and drilling success. As a result of these uncertainties, it is unknown whether potential drilling locations identified on proposed projects will ever be drilled or whether these or any other potential drilling locations will be able to produce gas, oil or condensate. In addition, drilling activities are subject to many risks, including the risk that commercially productive reservoirs will not be discovered. Drilling for hydrocarbons can be unprofitable, not only due to dry holes, but also as a result of productive wells that do not produce

sufficiently to be economic. In addition, drilling and production operations are highly technical and complex activities and may be curtailed, delayed or cancelled as a result of a variety of factors. Furthermore, whilst the Group is committed to maintaining the highest standards of health, safety, environmental and security in its operational activities, hydrocarbon drilling and production operations carry inherent risks, which in the event of an incident may significantly affect the operational, production, financial and/or business activities of the Group.

Financial Markets and Economic Outlook
The performance of the Group will be influenced by global economic conditions and, in particular, the conditions prevailing in the United Kingdom and Ukraine. The economies in these regions have been subject to volatile pressures during the period, with the global economy having experienced a long period of difficulties, and more particularly the recent events that have occurred in Ukraine. If these events continue, worsen or recur, the Group may be exposed to increased counterparty risk as a result of business failures in Ukraine or elsewhere and will continue to be exposed if counterparties fail or are unable to meet their obligations to the Group. The precise nature of all the risks and uncertainties the Group faces as a result of these risks cannot be predicted and many of these are outside of the Group's control.

Risks relating to key personnel
The Group has a relatively small team of executives and senior management. Whilst this is sufficient for a group of this nature, there is a dependency risk relating to the loss of key individuals.

Consolidated Income Statement
for the year ended 31 December 2015

	Note	**2015 $000**	2014 $000
Revenue	4	**23,438**	34,572
Cost of sales	5	**(19,779)**	(22,707)
Gross profit		**3,659**	11,865
Administrative expenses	6	**(4,006)**	(5,513)
Other operating gains and losses (net)	10	**66**	118
Operating (loss) / profit		**(281)**	6,470
Interest income		**1,981**	2,010
Finance costs	9	**(26)**	(48)
Other gains and losses (net)		**(73)**	(344)
Profit on ordinary activities before taxation		**1,601**	8,088
Income tax expense	11	**(2,581)**	(2,333)
(Loss) / profit for the year		**(980)**	5,755
(Loss) / earnings per ordinary share (cents)			
Basic and diluted	13	**(0.3c)**	1.8c

The Notes set out below are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	2015 $000	2014 $000
(Loss) / profit for the year	**(980)**	5,755
Items that may be subsequently reclassified to profit or loss:		
Equity – foreign currency translation	**(24,767)**	(62,451)
Items that will not be subsequently reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	**(71)**	-
Total other comprehensive expense	**(24,838)**	(62,451)
Total comprehensive expense for the year	**(25,818)**	(56,696)

The Notes set out below are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
at 31 December 2015

	Note	**2015 $000**	2014 $000
Assets			
Non-current assets			
Intangible assets		**63**	48
Property, plant and equipment	14	**18,503**	35,267
Trade and other receivables	17	**-**	1,309
Corporation tax receivable		**200**	305
Deferred tax asset	21	**14,433**	20,413
		33,199	57,342
Current assets			
Inventories	16	**1,458**	2,099
Trade and other receivables	17	**2,055**	3,436
Other short-term investments	28	**13,067**	-
Cash and cash equivalents	18	**19,920**	31,836
		36,500	37,371
Total assets		**69,699**	94,713
Liabilities			
Current liabilities			
Trade and other payables	19	**(1,521)**	(1,859)
Corporation tax payable		**(592)**	(70)
		(2,113)	(1,929)
Net current assets		**34,387**	35,442
Non-current liabilities			
Provision for decommissioning	20	**(831)**	(255)
Defined benefit liability		**(164)**	(120)
		(995)	(375)
Total liabilities		**(3,108)**	(2,304)
Net assets		**66,591**	92,409
Equity			
Called up share capital	22	**28,115**	28,115
Share premium account		**555,090**	555,090
Foreign exchange reserve		**(93,784)**	(69,017)
Other reserves	23	**4,273**	4,273
Accumulated losses		**(427,103)**	(426,052)
Total equity		**66,591**	92,409

The Notes set out below are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
at 31 December 2015

	Called up share capital $000	Share premium account $000	Merger reserve $000	Capital contributions $000	Foreign exchange reserve* $000	Accumulated losses $000	Total equity $000
As at 1 January 2014	28,115	555,090	(3,204)	7,477	(6,566)	(431,807)	149,105
Profit for the year	-	-	-	-	-	5,755	5,755
Other comprehensive expense							
- exchange differences	-	-	-	-	(62,451)	-	(62,451)
Total comprehensive expense	-	-	-	-	(62,451)	5,755	(56,696)
As at 31 December 2014	28,115	555,090	(3,204)	7,477	(69,017)	(426,052)	92,409

	Called up share capital $000	**Share premium account $000**	**Merger reserve $000**	**Capital contributions $000**	**Foreign exchange reserve* $000**	**Accumulated losses $000**	**Total equity $000**
As at 1 January 2015	28,115	555,090	(3,204)	7,477	(69,017)	(426,052)	92,409
Loss for the year	-	-	-	-	-	(980)	(980)
Other comprehensive expense							
- exchange differences	-	-	-	-	(24,767)	-	(24,767)
-re-measurements of post-employment benefit obligations	-	-	-	-	-	(71)	(71)
Total comprehensive expense	-	-	-	-	(24,767)	(1,051)	(25,818)
As at 31 December 2015	28,115	555,090	(3,204)	7,477	(93,784)	(427,103)	66,591

* Predominantly as a result of exchange differences on non-monetary assets and liabilities where the subsidiaries' functional currency is not the US Dollar.

The Notes set out below are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2015

	Note	**2015 $000**	2014 $000
Operating activities			
Cash generated from operations	25	**8,795**	19,562
Taxation paid		**(679)**	(849)
Interest received		**1,956**	1,979
Net cash inflow from operating activities		**10,072**	20,692
Investing activities			
Purchase of property, plant and equipment		**(2,150)**	(5,485)
Purchase of intangible assets		**(4)**	(3)
Proceeds from sale of property, plant and equipment		**5**	22
Other short-term investment	18	**(13,067)**	-
Net cash outflow from investing activities		**(15,216)**	(5,466)
Net (decrease) / increase in cash and cash equivalents		**(5,144)**	15,226
Cash and cash equivalents at beginning of year		**31,836**	25,084
Effect of foreign exchange rate changes		**(6,772)**	(8,474)
Cash and cash equivalents at end of year	18	**19,920**	31,836

The Notes set out below are an integral part of these consolidated financial statements.

Notes forming part of the financial statements

1. Statutory Accounts

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015 or 2014, but is derived from those accounts. The Auditor has reported on those accounts; its reports were unqualified, but did contain an emphasis of matter in respect of the political and economic environment in Ukraine (further details are available in the Operational Environment, Principal Risks and Uncertainties section above and Note 2 below). The Auditor's Report did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The statutory accounts for 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

While the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to distribute the full financial statements that comply with IFRS in June 2016.

2. Operating Environment

Regal Petroleum plc (the "Company") and its subsidiaries (the "Group") is a gas, condensate and LPG production group.

Regal Petroleum plc is a company quoted on the AIM Market of the London Stock Exchange plc and incorporated in England and Wales under the Companies Act 2006. The Company's registered office is at 16 Old Queen Street, London SW1H 9HP, United Kingdom and its registered number is 4462555. The principal activities of the Group and the nature of the Group's operations are set out above.

As of 31 December 2015 and 2014 the Company's immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company was ultimately controlled by Mr V Novinskiy.

The Group's gas, condensate and LPG extraction and production facilities are located in Ukraine. The recent political and economic instability in Ukraine has continued in 2015 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the Ukrainian currency against major foreign currencies.

In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. Further, in 2014 armed separatist forces obtained control over parts of the Donetsk and Lugansk regions in eastern Ukraine. The relationships between Ukraine and Russia worsened and remain strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian Government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian Government implemented similar measures against Russian products.

As at 31 May 2016, the official exchange rate of the Ukrainian Hryvnia against the US Dollar was UAH25.2/$1.00, compared to UAH24.0/$1.00 as at 31 December 2015 (31 December 2014: UAH15.8/$1.00). To constrain further devaluation of the Ukrainian Hryvnia, the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including a temporary ban on payment of dividends in foreign currency, a temporary ban on early repayment of debts to non-residents, mandatory sale of 75% of revenue in foreign currency and other restrictions on cash and non-cash operations. The National Bank of Ukraine prolonged these restrictions several times during 2015 and the current restrictions are effective until 8 June 2016.

Devaluation of the Ukrainian currency has also created pressure on the consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3%.

On 11 March 2015, the International Monetary Fund approved a four-year funding programme for Ukraine amounting to $17.5 billion. During 2015, Ukraine received the first and second tranches under the funding programme of $5 billion and $1.7 billion respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for the restructuring of part of the national external debt in the amount of $15 billion. The restructuring extends the maturities of the restructured debt to 2019-2027, fixing annual interest rates at 7.75% and includes the exchange of 20% of the debt into GDP warrants at a par value of $2.9 billion. However, there remains a significant portion of outstanding debt for which a restructuring was not agreed.

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved.

Further disbursements of International Monetary Fund tranches depend on the implementation of Ukrainian Government reforms, and other economic, legal and political factors.

The Ukrainian banking system is fragile due to its weak level of capital, its weakening asset quality caused by the economic situation, currency depreciation, and the general economic situation in Ukraine.

The final resolution and the ongoing effects of the political and economic situation are difficult to predict but they are likely to have further severe effects on the Ukrainian economy and the Group's business.

Further details of risks relating to Ukraine, can be found within the Operational Environment, Principal Risks and Uncertainties section of this announcement.

For the reasons outlined in the Operational Environment, Principal Risks and Uncertainties section of this announcement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future regarded as at least 12 months after the date of signing of these financial statements. Accordingly, the going concern basis has been adopted in preparing its consolidated financial statements for the year ended 31 December 2015. The use of this basis of accounting takes into consideration the Company's and the Group's current and forecast financing position, additional details of which are provided in the "Going concern risk" section of this announcement.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions which have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Recoverability of Development and Production Assets in Ukraine

According to the Group's accounting policies, costs capitalised as assets are assessed for impairment at each balance sheet date. In assessing whether an impairment loss has occurred, the carrying value of the asset is compared to its recoverable amount, which IAS 36 Impairment of Assets defines as the higher of fair value less costs of disposal and value in use. Management does not believe it possible to measure fair value reliably, due to both the absence of an active market in which to sell the asset and the current political and economic climate in Ukraine. Therefore, as in previous years, management has used value in use, using a discounted cash flow model to measure its recoverable amount. The cash flows in the model are projected in real terms, i.e. they do not take into account the impact on cash flows of the estimated inflation during the period of projection. The discount rate is adjusted accordingly and represents a real terms discount rate.

The valuation method used for determination of recoverable value in use is based on unobservable market data, which is within Level 3 of the fair value hierarchy.

The estimate of value in use requires judgment in the following areas:

(i) *Sales price* – The estimate used in the calculation is based on the World Bank and Economist Intelligence Unit natural gas price forecast for Europe.

(ii) *Reserves* – Management's estimate of reserves is based on a third party reserves report which relies on a combination of technical and operational data and independent reservoir interpretations.

(iii) *Production levels* – Management's estimate of production levels is derived from the field development plan, which in turn is related to the estimate of recoverable reserves.

(iv) *Capital expenditures* – Management's estimate of capital expenditures is based on the assessments of internal technical experts and market data about prices for projected types and volumes of expenditures. The prices are obtained from tender offers as well as different public sources. The part of capital expenditures which is pegged to the US Dollar is recalculated using the expected USD/UAH exchange rates based on the forecasts of independent external financial institutions. A capital expenditure allowance of $1,000,000 per year (2014: $500,000) is assumed for maintenance of development and production assets.

(v) *Discount rate* - Management applies an expected weighted average cost of capital as a discount rate, which reflects both the time value of money and its assessment of the risk associated with development and producing oil and gas assets in Ukraine. For 2016 and onwards the discount rate applied was 15%. The discount rates represent a real weighted average cost of capital, i.e. they do not take into account the impact of the estimated inflation during the period of projection.

(vi) *Life of field* – Management's estimate of recoverable amount is based on recovering reserves beyond the validity of its current production licences. Management believes that the current licences, which are due to expire in July 2024 will be extended under applicable legislation in Ukraine until the end of the economic life of the field, which is assessed to be June 2036. No application for such an extension has been made at the date of this announcement, however management considers the assumption to be reasonable based on its intention to seek such an extension in due course and that the Group is legally entitled to request an extension.

The impairment assessment carried out at 31 December 2015 has not resulted in an impairment loss.

Further details of this assessment, including the sensitivity to the above assumptions, are set out in Note 14.

(b) Decommissioning

The Group has decommissioning obligations in respect of its Ukrainian asset. The full extent to which the provision is required depends on the legal requirements at the time of decommissioning, the costs and timing of any decommissioning works and the discount rate applied to such costs.

Starting from 2013 a detailed assessment of gross decommissioning cost was undertaken on a well-by-well basis using local data on day rates and equipment costs. The discount rate applied on the decommissioning cost provision at 31 December 2015 was 7.17% (31 December 2014: 14.20%). The discount rate is calculated based on the yield to maturity of Ukrainian Government bonds denominated in the currency in which the liability is expected to be settled and with the settlement date that approximates the timing of settlement of decommissioning obligations.

The change in estimate during 2015 reflects a combination of a revision in the estimated costs (increase of $83,000) and the discount rate applied (increase of $515,000).

The decommissioning costs are estimated to be incurred by June 2036, which is the end of the economic life of the field. As outlined in (a)(vi) above, management believes that the current licences, which are due to expire in July 2024, will be extended until June 2036.

(c) Depreciation of Development and Production Assets

Development and production assets held in property, plant and equipment are depreciated on a unit of production basis at a rate calculated by reference to proven and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions about the number of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs, together with assumptions on oil and gas realisations, and are revised annually. The reserves estimates used are determined using estimates of gas in place, recovery factors, future hydrocarbon prices and also take into consideration the Group's latest development plan for the associated development and production asset. Additionally, as outlined in (a)(vi) above, the latest development plan and therefore the inputs used to determine the depreciation charge, assume that the current licences which are due to expire in July 2024, can be extended until June 2036.

(d) Recoverability of materials inventory

The majority of the Group's materials inventory balance comprises items to be used in the Ukraine drilling programme. Where there is uncertainty whether the materials will be realised through the drilling programme, or through sale, the materials are recorded at selling price, less any associated costs. Where materials inventory is intended for sale, management uses current market rates to estimate the recoverable amount through sale.

(e) Recognition of deferred tax asset

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. This requires judgment for forecasting future profits.

Further details of the deferred tax assets recognised can be found in Note 21.

(f) Functional currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. If a foreign entity conducts significant amounts of business in more than one underlying currency, management's judgment will be required to determine the functional currency in which financial results are measured with the greatest degree of relevance and reliability.

4. Segmental Information

In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, budget and forecast information as part of this process. Accordingly, the Board of Directors is deemed to be the Chief Operating Decision Maker within the Group.

The Group's only class of business activity is oil and gas exploration, development and production. The Group's operations are located in Ukraine, with its head office in the United Kingdom. These geographical regions are the basis on which the Group reports its segment information. The segment results as presented represent operating profit / (loss) before depreciation, amortisation and impairment loss.

	Ukraine 2015 $000	**United Kingdom 2015 $000**	**Total 2015 $000**
Revenue			
Gas sales	**14,784**	**-**	**14,784**
Condensate sales	**5,622**	**-**	**5,622**
Liquefied Petroleum Gas sales	**3,032**	**-**	**3,032**
Total revenue	**23,438**	**-**	**23,438**
Segment result	**9,247**	**(1,858)**	**7,389**
Depreciation and amortisation			**(7,670)**
Operating loss			**(281)**
Segment assets	**52,340**	**17,359**	**69,699**
Capital additions*	**2,279**	**-**	**2,279**

There are no inter-segment sales within the Group and all products are sold in the geographical region in which they are produced. Gas sales to the Group's two largest customers in 2015 amounted to $2,894,000 and $2,469,000 (2014: gas sales to the Group's largest customer amounted to $18,094,000).

	Ukraine 2014 $000	United Kingdom 2014 $000	Total 2014 $000
Revenue			
Gas sales	20,201	-	20,201
Condensate sales	11,171	-	11,171
Liquefied Petroleum Gas sales	3,200	-	3,200
Total revenue	34,572	-	34,572
Segment result	18,400	(3,078)	15,322
Depreciation and amortisation	-	-	(8,852)
Operating profit			6,470
Segment assets	72,680	22,033	94,713
Capital additions*	4,320	5	4,325

*Comprises additions to property, plant and equipment (Note 14).

5. Cost of Sales

	2015 $000	2014 $000
Production taxes	**8,083**	8,602
Depreciation of development and producing asset (Note 14)	**7,599**	8,727
Staff costs (Note 8)	**1,222**	1,938
Cost of purchased gas	**1,171**	-
Cost of inventories recognised as an expense	**661**	810
Rent expenses (Note 24)	**45**	75
Geological services	**43**	531
Workover costs	**-**	879
Other expenses	**955**	1,145
	19,779	22,707

6. Administrative Expenses

	2015 $000	2014 $000
Staff costs (Note 8)	**2,423**	3,531
Consultancy fees	**613**	315
Rent expenses (Note 24)	**302**	480
Auditors' remuneration	**259**	349
Depreciation of other assets (Note 14)	**59**	104
Amortisation of intangible assets	**12**	21
Other expenses	**338**	713
	4,006	5,513

	2015 $000	2014 $000
Audit of the Company and subsidiaries	**179**	216
Audit related assurances services – interim review	**52**	62
Total assurance services	**231**	278
Tax compliance services	**28**	54
Tax advisory services	-	-
Corporate finance services	**-**	17
Total non-audit services	**28**	71
Total audit and other services	**259**	349

Total remuneration of the Group auditors, PricewaterhouseCoopers LLP, and other member firms of PricewaterhouseCoopers in 2015 amounted to $259,000, including $231,000 payable for the audit and related assurance services and $28,000 payable for tax compliance services.

Total remuneration of the Group auditors, PricewaterhouseCoopers LLP, and other member firms of PricewaterhouseCoopers in 2014 amounted to $254,000, including $229,000 payable for the audit and related assurance services and $25,000 payable for tax compliance services. Total remuneration of Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited in 2014 amounted to $95,000, including $49,000 payable for the audit and related assurance services for the year 2013 and $46,000 payable for non-audit services.

7. Remuneration of Directors

	2015 $000	2014 $000
Directors' emoluments	**764**	793

The emoluments of the individual Directors were as follows:

	Total emoluments 2015 $000	Total emoluments 2014 $000
Keith Henry	**382**	412
Sergei Glazunov	**129**	85
Adrian Coates	**69**	74
Alastair Graham	**69**	74
Alexey Pertin	**69**	74
Alexey Timofeyev	**46**	74
	764	793

The emoluments include base salary and fees. According to the register of Directors' interests, no rights to subscribe for shares in or debentures of the Group companies were granted to any of the Directors or their immediate families during the financial year, and there were no outstanding options to Directors.

8. Staff Numbers and Costs

The average monthly number of employees on a full time equivalent basis during the year (including Executive Directors) was as follows:

	Number of employees	
	2015	2014
Group		
Management / operational	**101**	103
Administrative support	**52**	54
	153	157

The aggregate staff costs of these employees were as follows:

	2015 $000	2014 $000
Wages and salaries	**3,054**	4,381
Other pension costs	**534**	991
Social security costs	**57**	97
	3,645	5,469

9. Finance Costs

	2015 $000	2014 $000
Unwinding of discount on decommissioning provision (Note 20)	**26**	46
Other finance costs	**-**	2
	26	48

10. Other operating gains and losses (net)

	2015 $000	2014 $000
Reversal of impairment / (impairment) of VAT receivables and related balances	**225**	(77)
Gain on sales of current assets	**165**	-
Rental income	**15**	40
(Loss) / income from write off / recovery of non-current assets	**(333)**	91
Other operating (expense) / income (net)	**(6)**	64
	66	118

Other operating gains and losses (net) for the year ended 31 December 2015 include income from the reversal of the provision on VAT receivables of $335,000 related to Regal Petroleum Corporation Limited. Since the VAT receivable mostly relates to capital expenditures, in prior periods it was uncertain that the amount provided for would be offset against VAT payable on future sales. In 2015, the provision for VAT receivable was reversed as the Group was able to offset its VAT receivable balance against VAT payable.

In addition, other operating gains and losses (net) for the year ended 31 December 2015 include impairment of VAT receivables of $110,000 related to another Group company, Regal Petroleum Corporation (Ukraine) Limited. This amount was written off as uncollectable due to the inability of the Group to offset this amount against VAT payable or utilise it in any other way.

Also, other operating gains and losses (net) for the year ended 31 December 2015 include expenses of $333,000 relating to the write-off of preparatory works in respect of wells SV-67 and MEX-122 located on the SV and MEX-GOL gas and condensate fields. The decision to abort these drilling projects was made in 2015 following reconsideration of the chances of success of these wells, and the associated costs were written off in the 2015 year.

11. Taxation

a) Income tax expense:

	2015 $000	2014 $000
Current tax		
Overseas – current year	**1,279**	1,232
Overseas – prior year	**15**	(253)
Deferred tax (Note 21)		
UK - current year	**3,658**	1,354
UK - prior year	**(2,371)**	-
Income tax expense	**2,581**	2,333

b) Factors affecting tax charge for the year:

The tax assessed for the year is different than the blended rate of corporation tax in the UK of 20.25%. The expense / (income) for the year can be reconciled to the profit / (loss) as per the Income Statement as follows:

	2015 **$000**	2014 $000
Profit on ordinary activities before taxation	**1,601**	8,088
Tax charge at UK tax rate of 20.25% (2014: 21.50%)	**324**	1,739
Tax effects of:		
Lower foreign corporate tax rates in Ukraine (18%)	**1**	4
Disallowed expenses and non-taxable income	**(9,891)**	(14,957)
Losses not recognised as deferred tax assets	**12,922**	15,800
Adjustment for reduction in UK corporate tax rate	**1,628**	-
Realisation of previously unrecognised deferred tax assets on provision for unused vacations	**(47)**	-
Adjustments in respect of prior periods	**(2,356)**	(253)
Tax expense for the year	**2,581**	2,333

12. Loss for the Financial Year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group loss for the year includes a Parent Company loss after tax of $24,637,000 for the year ended 31 December 2015. For the year ended 31 December 2014, the Group profit included a Parent Company loss after tax of $5,766,000.

13. (Loss) / Earnings per Share

The calculation of basic profit or loss per ordinary share has been based on the profit or loss for the year and 320,637,836 (2014: 320,637,836) ordinary shares, being the weighted average number of shares in issue for the year. There are no dilutive instruments.

14. Property, Plant and Equipment

Group	2015 Development and Production assets Ukraine $000	2015 Other fixed assets $000	2015 Total $000	2014 Development and Production assets Ukraine $000	2014 Other fixed assets $000	2014 Total $000
Cost						
At beginning of year	**148,254**	**984**	**149,238**	277,014	1,272	278,286
Additions	**2,199**	**80**	**2,279**	3,995	330	4,325
Change in decommissioning provision	**640**	**-**	**640**	(204)	-	(204)
Disposals	**(857)**	**(21)**	**(878)**	(924)	(330)	(1,254)
Exchange differences	**(50,982)**	**(324)**	**(51,306)**	(131,627)	(288)	(131,915)
At end of year	**99,254**	**719**	**99,973**	148,254	984	149,238
Accumulated depreciation and impairment						
At beginning of year	**113,514**	**457**	**113,971**	203,784	803	204,587
Charge for year	**7,599**	**59**	**7,658**	8,727	104	8,831
Disposals	**(430)**	**(15)**	**(445)**	(37)	(193)	(230)
Exchange differences	**(39,569)**	**(145)**	**(39,714)**	(98,960)	(257)	(99,217)
At end of year	**81,114**	**356**	**81,470**	113,514	457	113,971
Net book value at beginning of year	**34,740**	**527**	**35,267**	73,230	469	73,699
Net book value at end of year	**18,140**	**363**	**18,503**	34,740	527	35,267

In accordance with the Group's accounting policies, oil and gas development and producing assets are tested for impairment at each balance sheet date. In assessing whether an impairment loss has occurred, the carrying amount of the asset is compared to the value in use. The Group estimates value in use of its development and producing assets using a discounted cash flow model.

As there was no drilling in 2014 and 2015, the reserves report prepared by ERC Equipoise Limited in London as of 31 December 2013 is still effective and was not updated as of 31 December 2015.

The impairment assessment carried out at 31 December 2015 has not resulted in an impairment loss.

The calculation of value in use is most sensitive to the following assumptions, the bases of which are set out in Note 3(a):

(i) *Commodity prices* – the model assumes gas prices of $260/Mm^3$ ($UAH6,500/Mm^3$) in 2016 increasing to $300/Mm^3$ ($UAH7,500/Mm^3$) during 2017 - 2025 and onwards. The prices were estimated based on World Bank and Economist Intelligence Unit natural gas price forecast for Europe.

(ii) *Discount rate* - reflects the current market assessment of the time value of money and risks specific to the Group. The discount rate has been determined as the weighted average cost of capital based on observable inputs and inputs from third party financial analysts. For 2016 and onwards the discount rate applied was 15%. The discount rates represent a real weighted average cost of capital, i.e. they do not take into account the impact of the estimated inflation during the period of projection.

(iii) *Production levels and Reserves* – production levels are based on the data included in the third party reserves report. This report includes estimated production volumes, including from new wells, over the remaining useful life of the MEX-GOL and SV gas and condensate fields in Ukraine. The estimated production is based on the Group's current development programme, which includes the drilling of six new wells (2014: six new wells), and the workover of existing currently non-producing wells, which will recover the same reserves with lower capital expenditure.

(iv) *Production taxes* - management assumed production tax rates of 29% for gas and 45% for condensate extracted from deposits up to depths of 5,000 metres and 14% for gas and 21% for condensate extracted from deposits deeper than 5,000 metres. These rates are based on the Ukrainian Tax Code that became effective from 1 January 2016.

(v) *Capital expenditures* - management assumed that most capital expenditures are to be incurred during 2016 - 2021. A capital expenditure allowance of $1,000,000 per year is assumed for maintenance of the development and producing assets.

(vi) *Life of field* - the current licences, which are due to expire in July 2024, can be extended under applicable legislation in Ukraine until the end of the economic life of the field, which is assessed to be June 2036 on the basis of the reserves report. No application for such an extension has been made at the date of this announcement, but management consider the assumption to be reasonable based on their intention to seek such an extension in due course and that the Group is legally entitled to request an extension. However, if the extension were not granted, it would result in a further reduction of $19,735,000 in the recoverable amount.

The Group's discounted cash flow model in Ukrainian Hryvnia, flexed for sensitivities, produced the following results:

	Recoverable amount	**Net book value**	**Headroom / (Shortfall)**
	$000	**$000**	**$000**
31 December 2015	43,901	18,503	25,398
Sensitivities:			
1. $25/Mm³ reduction in gas price	35,203	18,503	16,700
2. $25/Mm³ increase in gas price	52,603	18,503	34,100
3. Breakeven gas price $227/Mm³	18,220	18,503	(283)
4. Breakeven flow rates 32 Mm³/day for all new wells	18,778	18,503	275
5. Breakeven discount rate 25%	19,024	18,503	521

According to the results of the impairment test performed, there is no impairment of development and production assets at 31 December 2015.

15. Investments and loans to subsidiaries

	Shares in subsidiary undertakings $000	Loans to subsidiary undertakings $000	Total $000
Company			
Cost			
At 1 January 2014	17,279	70,707	87,986
Additions including accrued interest	-	6,376	6,376
Disposals	-	(1,871)	(1,871)
Exchange differences	-	(7,614)	(7,614)
At 31 December 2014	17,279	67,598	84,877
Cost			
At 1 January 2015	**17,279**	**67,598**	**84,877**
Additions including accrued interest	**-**	**6,557**	**6,557**
Impairment of loans to subsidiary	**-**	**(19,027)**	**(19,027)**
Disposals	**-**	**-**	**-**
Exchange differences	**-**	**(6,817)**	**(6,817)**
At 31 December 2015	**17,279**	**48,311**	**65,590**

In accordance with the Company's accounting policies, loans to subsidiaries have been reviewed to assess recoverability. The Company recognised the impairment of $19,027,000 against the carrying value of loans at 31 December 2015 to reflect the significant decrease in the carrying value of the Ukrainian assets due to devaluation of Ukrainian Hryvnia (2014: $nil)

Subsidiary undertakings

At 31 December 2015, the Company's subsidiary undertakings, all of which are included in the consolidated financial statements, were:

	Country of incorporation	Country of operation	Principal activity	% of shares held
Regal Petroleum Corporation Limited	Jersey	Ukraine	Oil & Natural Gas Extraction	100%
Regal Petroleum Corporation (Ukraine) Limited	Ukraine	Ukraine	Service Company	100%
Refin Limited	Ukraine	Ukraine	Service Company	100%
Regal Petroleum (Jersey) Limited	Jersey	United Kingdom	Holding Company	100%
Regal Group Services Limited	United Kingdom	United Kingdom	Service Company	100%

The Parent Company, Regal Petroleum plc, holds direct interests in 100% of the share capital of Regal Petroleum (Jersey) Limited and Regal Group Services Limited, with all other companies owned indirectly by the Parent Company. Regal Petroleum Corporation Limited is controlled through its 100% ownership by Regal Petroleum (Jersey) Limited. Regal Petroleum Corporation (Ukraine) Limited is controlled through its 100% ownership by Regal Petroleum (Jersey) Limited and Regal Group Services Limited, and Refin Limited is controlled through its 100% ownership by Regal Petroleum (Jersey) Limited and Regal Petroleum Corporation (Ukraine) Limited.

Regal Group Services Limited, company number 5252958, has adopted the subsidiary audit exemption allowed under section 479A of the Companies Act 2006 for the year ended 31 December 2015.

16. Inventories

	Group	
	2015	2014
	$000	$000
Current		
Materials	**1,337**	1,951
Condensate stock	**121**	148
	1,458	2,099

There was no write down of materials inventory as at 31 December 2015 (2014: nil).

17. Trade and Other Receivables

Non-current	Group		Company	
	2015	2014	**2015**	2014
	$000	$000	**$000**	$000
VAT receivable	**-**	1,309	**-**	-
	-	1,309	**-**	-

Current	Group		Company	
	2015	2014	**2015**	2014
	$000	$000	**$000**	$000
Trade receivables	**1,005**	740	**-**	-
VAT receivable	**616**	2,236	**29**	57
Prepayments and accrued income	**193**	241	**47**	30
Other receivables	**241**	219	**450**	327
	2,055	3,436	**526**	414

Due to the short-term nature of the current trade and other receivables, their carrying amount is assumed to be the same as their fair value. None of the Group's trade receivables are past due or impaired. All trade receivables are considered to be of high credit quality.

No impairment provision was charged against trade and other receivables during 2015 (2014: $nil).

At 31 December 2015, the Group's total trade receivables amounted to $1,005,000 and 100% were denominated in Ukrainian Hryvnia (31 December 2014: $740,000 and 100% were denominated in Ukrainian Hryvnia). Further description of financial receivables is disclosed in Note 26.

Current VAT receivable in respect of the Group includes $616,000 (2014: $2,236,000) relating to capital expenditure in Ukraine which is expected to be recovered via an offset against VAT payable on future sales in that country. At 31 December 2014 there was an additional $1,309,000 of VAT receivable which was included within non-current trade and other receivables as, based on the Group's future sales projections which are derived from the assumptions in the value in use model outlined in the notes, it was not expected to be recoverable within one year. The Group expects to offset the total amount of VAT receivable at 31 December 2015 during the 2016 year, and therefore no VAT receivable was included within non-current trade and other receivables.

18. Cash and Cash Equivalents

	Group 2015 $000	Group 2014 $000	Company 2015 $000	Company 2014 $000
Cash at bank and on hand	**19,920**	23,403	**11,913**	14,061
Short-term deposits	**-**	8,433	**-**	-
	19,920	31,836	**11,913**	14,061

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The terms and conditions upon which the Group's short-term deposits are made allow immediate access to all cash deposits, with no significant loss of interest.

The decrease in cash and cash equivalents at 31 December 2015 is due to $13,067,000 held in Ukrainian Hryvnia at Unex Bank, being reclassified as short-term investments (with an equal carrying value) as a result of a reassessment of the risks and limited liquidity associated with this cash balance. Further details are set out in Notes 26 and 28.

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as follows at 31 December 2015:

	Cash at bank and on hand 2015 $000	**Short-term deposits 2015 $000**	**Total 2015 $000**	Cash at bank and on hand 2014 $000	Short-term deposits 2014 $000	Total 2014 $000
A- to A+ rated	**12,255**	**-**	**12,255**	14,227	-	14,227
Unrated	**7,665**	**-**	**7,665**	9,176	8,433	17,609
	19,920	**-**	**19,920**	23,403	8,433	31,836

19. Trade and Other Payables

	Group 2015 $000	Group 2014 $000	Company 2015 $000	Company 2014 $000
Taxation and social security	**773**	920	**-**	-
Accruals and deferred income	**553**	677	**183**	260
Advances received	**193**	255	**-**	-
Trade payables	**2**	7	**-**	-
	1,521	1,859	**183**	260

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature. Description of financial payables is disclosed in Note 26.

20. Provision for Decommissioning

	2015 $000	2014 $000
Group		
At beginning of year	**255**	810
Amounts provided	**42**	-
Unwinding of discount (Note 9)	**26**	46
Change in estimate	**598**	(204)
Exchange differences	**(90)**	(397)
At end of year	**831**	255

The provision for decommissioning is based on the net present value of the Group's estimated liability for the removal of the Ukraine production facilities and well site restoration at the end of production life. The change in estimate during 2015 reflects a combination of a revision in the estimated costs (increase of $83,000) and the discount rate applied (increase of $515,000). The discount rate applied on the decommissioning cost provision at 31 December 2015 was 7.17% (31 December 2014: 14.20%). The decrease of the discount rate at 31 December 2015 came as a result of a Ukrainian Eurobonds' yield decrease and a respective decrease of Country Risk Premium. These costs are expected to be incurred by 2036 (2014: by 2036), although if the costs were to be incurred at the current expiry of the production licences in 2024, the provision for decommissioning at 31 December 2015 would be $1,908,000 (31 December 2014: $1,257,000).

21. Deferred Tax

	2015 $000	2014 $000
Deferred tax recognised on tax losses – Company and Group		
At beginning of year	**7,861**	7,807
(Charged) / credited to Income Statement - current year	**(3,391)**	54
At end of year	**4,470**	7,861

	2015 $000	2014 $000
Deferred tax recognised relating to development and production asset - Group		
At beginning of year	**12,552**	27,287
Charged to Income Statement - current year	**(267)**	(1,408)
Charged to Income Statement – prior year	**2,371**	-
Effect of exchange difference	**(4,693)**	(13,327)
At end of year	**9,963**	12,552

At 31 December 2015 the Group recognised a deferred tax asset of $4,470,000 in relation to UK tax losses carried forward (31 December 2014: $7,861,000). There was a further $73 million (31 December 2014: $66 million) of unrecognised UK tax losses carried forward for which no deferred tax asset has been recognised. These losses can be carried forward indefinitely, subject to certain rules regarding capital transactions and changes in the trade of the Company. The Directors consider it appropriate to recognise deferred tax assets resulting from accumulated tax losses at 31 December 2015 to the extent that it is probable that there will be sufficient future taxable profits.

The deferred tax asset relating to the Group's development and production asset at 31 December 2015 of $9,963,000 (31 December 2014: $12,552,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset in Ukraine, and its tax base. This is deemed recoverable on the projected future profits generated by the Group's operations in Ukraine. The forecast profits are based on the current field development plan, and are determined using data from the same cash flow model which was used for impairment review of the Group's development and production asset in Ukraine, as outlined in Note 14. Based on these projections, the deferred tax asset recognised will be recovered by 2020. However, should future field development not result in additional production, only $3 million of the $10 million deferred tax recognised would be recoverable based on forecast profits available from the Group's existing wells.

The impact of the UK losses surrendered to the Ukrainian operating subsidiary in relation to losses was $9,467,000 for 2014 and $4,649,000 for 2015 respectively.

Losses accumulated in a Ukrainian subsidiary service company of UAH 2,061,576,860 ($85,897,000) at 31 December 2015 and UAH 952,365,000 ($60,391,000) at 31 December 2014 mainly originated as foreign exchange differences on inter-company loans and for which no deferred tax asset was recognised as this subsidiary is not expected to have taxable profits to utilise these losses in the future.

UK Corporation tax change

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main tax rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantially enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional $598,000 and increase the tax expense for the period by $859,000.

22. Called Up Share Capital

	Number	**2015 $000**	Number	2014 $000
Allotted, called up and fully paid				
Opening balance at 1 January	**320,637,836**	**28,115**	320,637,836	28,115
Issued during the year	**-**	**-**	-	-
Closing balance at 31 December	**320,637,836**	**28,115**	320,637,836	28,115

There are no restrictions over ordinary shares issued.

23. Other Reserves

Other reserves, the movements in which are shown in the statements of changes in equity, comprise the following:

Capital contributions reserve

The capital contributions reserve is non-distributable and represents the value of equity invested in subsidiary entities prior to the Company listing.

Merger reserve

The merger reserve represents the difference between the nominal value of shares acquired by the Company and those issued to acquire subsidiary undertakings. This balance relates wholly to the acquisition of Regal Petroleum (Jersey) Limited and that company's acquisition of Regal Petroleum Corporation Limited during 2002.

Foreign exchange reserve

Exchange reserve movement for the year attributable to currency fluctuations. This balance predominantly represents the result of exchange differences on non-monetary assets and liabilities where the subsidiaries' functional currency is not the US Dollar.

24. Operating Lease Arrangements

The Group as Lessee

	Group		Company	
	2015	2014	**2015**	2014
	$000	$000	**$000**	$000
Minimum lease payments under operating leases recognised as an expense for the year	**347**	555	**181**	297

Minimum lease payments under operating leases recognised as an expense for the year ended 31 December 2015 are mainly represented by the rentals of office properties in Ukraine and the UK of $302,000 (2014: $480,000) and the leases of land and well SV-6 of $45,000 (2014: $75,000).

At the balance sheet date, the Group had outstanding off-balance sheet commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings	
	2015	2014
Group and Company	**$000**	$000
Amounts payable due:		
- Within one year	**136**	218
	136	218

Operating lease payments represent rentals payable by the Group for office properties, which were negotiated and fixed for an average of one year.

25. Reconciliation of Operating Profit / (Loss) to Operating Cash Flow

	2015	2014
	$000	$000
Group		
Operating (loss) / profit	**(281)**	6,470
Depreciation, amortisation and impairment charges	**7,670**	8,852
Gain on sales of current assets, net	**(165)**	-
Loss / (gain) from write off of non-current assets	**333**	(91)
(Reversal of impairment) / impairment of VAT receivables and related balances	**(225)**	77
Movement in provisions	**(50)**	79
Decrease / (increase) in inventory	**45**	(99)
Decrease in receivables	**1,260**	4,708
Decrease / (increase) in payables	**208**	(434)
Cash generated from operations	**8,795**	19,562

	2015	2014
	$000	$000
Company		
Operating loss	**(20,863)**	(2,981)
Depreciation and amortisation	**-**	9
Movement in provisions (including impairment of subsidiary loans)	**19,027**	-
Increase in receivables	**(112)**	(157)
(Decrease) / increase in payables	**(77)**	22
Cash used in operations	**(2,025)**	(3,107)

26. Financial Instruments

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital as equity. The primary source of the Group's liquidity has been cash generated from operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The capital structure of the Group consists of equity attributable to the equity holders of the parent, comprising issued share capital, share premium, reserves and retained deficit.

There are no capital requirements imposed on the Group.

The Group's financial instruments comprise cash and cash equivalents and various items such as debtors and creditors that arise directly from its operations. The Group has bank accounts denominated in British Pounds, US Dollars, Euros, Canadian Dollars and Ukrainian Hryvnia. The Group does not have any borrowings. The main future risks arising from the Group's financial instruments are currently currency risk, interest rate risk, liquidity risk and credit risk.

The Group's financial assets and financial liabilities, measured at amortised cost, which approximates their fair value comprise the following:

Financial Assets

	2015	2014
	$000	$000
Group		
Cash and cash equivalents	**19,920**	31,836
Other short-term investments	**13,067**	-
Trade and other receivables	**1,074**	740
	34,061	32,576

At 31 December 2015, $13,067,000 of Group other short-term investments were held with a related party bank, Unex Bank, see Note 28 for details (31 December 2014: $17,456,000).

	2015	2014
	$000	$000
Company		
Cash and cash equivalents	**11,913**	14,061
Trade and other receivables	**398**	327
	12,311	14,388

Financial Liabilities

	2015 $000	2014 $000
Group		
Trade and other payables	**2**	7
Accruals	**242**	204
	244	211

	2015 $000	2014 $000
Company		
Trade and other payables	**-**	-
Accruals	183	260
	183	260

All assets and liabilities of the Group where fair value is disclosed are level 2 in the fair value hierarchy and valued using the current cost accounting technique.

Currency Risk

The functional currencies of the Group's entities are US Dollars and Ukrainian Hryvnia. The following analysis of net monetary assets and liabilities shows the Group's currency exposures. Exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the relevant entity.

Currency	**2015 $000**	2014 $000
Canadian Dollars	**2**	2
British Pounds	**(849)**	2,689
Euros	**96**	166
US Dollars	**(40)**	-
Net monetary assets less liabilities	**(791)**	2,857

Foreign Currency Sensitivity Analysis

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2015 After tax impact on profit or loss $000	At 31 December 2014 After tax impact on profit or loss $000
EUR strengthening by 30% (2014: 30%)	**29**	50
GBP strengthening by 30% (2014: 30%)	**(254)**	807

A positive number above indicates a decrease in loss / increase in profit where the indicated currency strengthens against the functional currency. For a weakening of the indicated currency against the functional currency, there would be an equal and opposite impact on the loss / profit, and the balances above are shown negative. A negative number above indicates an increase in loss / decrease in profit where the indicated currency strengthens against the functional currency. For a weakening of the indicated currency against the functional currency, there would be an equal and opposite impact on the loss / profit, and the balances above are shown positive. The Group holds currencies to match the currencies of future capital and operational expenditure.

Interest Rate Risk Management

The Group is not exposed to interest rate risk on financial liabilities as none of the entities in the Group have any external borrowings. The Group does not use interest rate forward contracts and interest rate swap contracts as part of its strategy.

The Group is exposed to interest rate risk on financial assets as entities in the Group hold money market deposits at floating interest rates. The risk is managed by fixing interest rates for a period of time when indications exist that interest rates may move adversely.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section below.

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on exposure to interest rates for non-derivative instruments at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates earned on money market deposits had been 0.5% higher / lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2015 would increase by $92,000 in the event of 0.5% higher interest rates and decrease by $92,000 in the event of 0.5% lower interest rates (2014: increase of profit for the year ended 31 December 2014 by $75,000 in the event of 0.5% higher interest rates and decrease by $75,000 in the event of 0.5% lower interest rates). This is mainly attributable to the Group's exposure to interest rates on its money market deposits; and
- other equity reserves would not be affected (2014: not affected).

Interest payable on the Group's liabilities would have an immaterial effect on the profit or loss for the year.

Liquidity Risk

The Group's objective throughout the year has been to ensure continuity of funding. Operations have primarily been financed through revenue from Ukrainian operations.

Details of the Group's cash management policy are explained in Note 18.

Liquidity risk for the Group is further detailed under the "Going concern risk" section of this announcement.

Credit Risk

Credit risk principally arises in respect of the Group's cash balance. In the UK, where $12.3 million of the overall cash is held (31 December 2014: $14.2 million), the Group only deposits cash surpluses with major banks of high quality credit standing (Note 18). The remaining balance of $7.6 million was held in Ukraine (31 December 2014: $17.6 million). In December 2015 Standard & Poor's upgraded Ukraine's sovereign credit rating to "B-/B". There is no international credit rating information available for the specific banks in Ukraine where the Group currently holds its cash and cash equivalents.

The significant devaluation of the Ukrainian Hryvnia has resulted in the National Bank of Ukraine, among other measures, imposing comprehensive restrictions on the processing of client payments by banks, on the purchase of foreign currency on the inter-bank market and on the remittance of funds outside Ukraine. These restrictions, and the many other economic issues in Ukraine, have put great strain on the Ukrainian banking system, with increasing risks in the capital strength, liquidity and creditworthiness of a large number of Ukrainian banks, and very high rates in the wholesale and overnight markets. In addition, there have been significant deposit outflows from the banking system and widespread restructuring of bank clients' maturing liabilities. Furthermore, as a result of recommendations from the International Monetary

Fund, significant reforms to the Ukrainian banking sector are being implemented, which are intended to strengthen the capitalisation of the Ukrainian banks.

In light of the deterioration in the banking sector in Ukraine, the Group has taken steps to diversify its banking arrangements between a number of banks in Ukraine. These measures are designed to spread the risks associated with each bank's creditworthiness, but the Ukrainian banking sector remains weakly capitalised and so the risks associated with the banks in Ukraine remain significant, including in relation to the banks with which the Group operates bank accounts. Further details are set out in above and in Note 28 in relation to the Group's cash deposits with Unex Bank.

None of the Group's trade receivables are past due or impaired. All trade receivables are considered to be of high credit quality.

Interest Rate Risk Profile of Financial Assets

The Group had the following cash and cash equivalent and other short-term investments balances which are included in financial assets as at 31 December 2015 with an exposure to interest rate risk:

Currency	**Total 2015 $000**	**Floating rate financial assets 2015 $000**	**Fixed rate financial assets 2015 $000**	Total 2014 $000	Floating rate financial assets 2014 $000	Fixed rate financial assets 2014 $000
Canadian Dollars	**2**	**2**	**-**	2	2	-
Euros	**91**	**38**	**53**	166	53	113
British Pounds	**596**	**596**	**-**	2,441	2,441	-
Ukrainian Hryvnia	**20,679**	**-**	**20,679**	17,496	-	17,496
US Dollars	**11,619**	**11,619**	**-**	11,731	11,731	-
	32,987	**12,255**	**20,732**	31,836	14,227	17,609

Cash deposits included in the above balances comprise short term deposits.

Interest Rate Risk Profile of Financial Liabilities

The Group had no interest bearing financial liabilities at the year end (2014: $nil).

Maturity of Financial Liabilities

The maturity profile of financial liabilities, on an undiscounted basis, is as follows:

	2015 $000	2014 $000
Group		
In one year or less	**244**	211
	244	211

	2015 $000	2014 $000
Company		
In one year or less	**183**	260
	183	260

Borrowing Facilities

The Group did not have any borrowing facilities available to it at the year end (2014: $nil).

Fair Value of Financial Assets and Liabilities

The fair value of all financial instruments is not materially different from the book value.

27. Capital Commitments

Amounts contracted in relation to the Group's 2015 investment programme in the MEX-GOL and SV gas and condensate fields in Ukraine, but not provided for in the financial statements at 31 December 2015, were $319,000 (2014: $171,000).

28. Related Party Disclosures

Key management personnel of the Group are considered to comprise only the Directors. Details of Directors' remuneration are disclosed in Note 7.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2015 **$000**	2014 $000
Sale of goods / services	469	86
Purchase of goods / services	120	172
Amounts owed by related parties	57	44
Amounts owed to related parties	9	12

All related party transactions were with subsidiaries of the ultimate Parent Company, and primarily relate to the rental of office facilities and a vehicle and the sale of equipment. The amounts outstanding were unsecured and will be settled in cash.

As of 31 December 2015, the Company's immediate parent company was Energees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100% owned by Lovitia Investments Ltd, which is 100% owned by Mr V Novinskiy. Accordingly, the Company was ultimately controlled by Mr V Novinskiy.

The Group operates bank accounts in Ukraine with a related party bank, Unex Bank, which is ultimately controlled by Mr V Novinskiy. There were the following transactions and balances with Unex Bank during the year:

	2015 **$000**	2014 $000
Interest income	**1,829**	1,987
Bank charges	**3**	14
Other short-term investments	**13,067**	-
Cash held at end of year	**-**	17,456

The Group currently holds a significant proportion of its Ukrainian Hryvnia cash deposits in Unex Bank. In May 2015, the Group obtained a guarantee and security over another asset from the Smart Holding Group in support of the Group's cash deposits in Unex Bank. The Group considered it appropriate to reclassify its cash holdings in Unex Bank, which amounted to $13,067,000 as at 31 December 2015, as short-term investments (with an equal carrying value), rather than cash or cash equivalents due to the limited liquidity of the asset.

At the date of this announcement, none of the Company's controlling parties prepares consolidated financial statements available for public use.

29. Post Balance Sheet Events

Revision to Tax Code

In late December 2015, the Ukrainian Government enacted a law which significantly revised the tax code effective from 1 January 2016. The most significant changes are:

- Cancellation of advance payment of corporate profit tax which was based on taxable profit of the previous period
- Decrease of the rate of unified social contribution tax accrued on employee benefits from standard rates of 37%-50% in previous years (depending on companies' accident risk level; lower rates could be applied in 2015 subject to companies' compliance with certain criteria) to 22% from 2016 onwards
- Reduction of the subsoil tax rates to 29% and 14% (2015: 55% and 28% respectively) for gas extraction from the depth above 5000 metres and below 5000 metres respectively
- Basis for subsoil tax calculation for gas based on average import gas price rather than industrial gas price set by the National Commission for State Energy and Public Utilities Regulation. Base period of taxation is a month rather than a quarter in previous version of the Tax code
- No reduction coefficient is applied for subsoil tax calculation on new wells (2015: coefficient 0.55 for new wells)

The Directors expect that the reduction of the subsoil tax rates will significantly decrease the Group's tax payments in 2016 and increase gross margin. The Directors do not believe the new corporate tax rules will significantly change its corporate profit taxes.

Currency restriction

Temporary capital controls established by the National Bank of Ukraine in 2014 remain in place as an attempt by the Ukrainian Government to safeguard the economy and protect foreign exchange reserves in the short term.

On 5 March 2016, these restrictions were extended until 8 June 2016.

The currency restrictions have significantly affected the Group's ability to purchase foreign currency and to remit funds outside Ukraine, which has affected the Group's treasury and currency management.