
Press Release

28 September 2015

REGAL PETROLEUM PLC

2015 INTERIM 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 unaudited results for the six month period ended 30 June 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 continued 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 six month period to 30 June 2015 of 145,009 m³/d of gas, 45.0 m³/d of condensate and 20.4 m³/d of LPG (1,291 boepd in aggregate) (1H 2014: 155,520 m³/d of gas, 54 m³/d of condensate and 20 m³/d of LPG (1,397 boepd in aggregate))

Finance

- Revenue for the six month period to 30 June 2015 of \$10.9 million (1H 2014: \$17.5 million)
- Loss for the six month period to 30 June 2015 of \$3.3 million (1H 2014: \$3.7 million profit)
- Foreign exchange translation loss for the six month period to 30 June 2015 of \$17.6 million (1H 2014: \$37.9 million loss) due to devaluation of the Ukrainian Hryvnia against the US Dollar
- Cash generated from operations during the period of \$6.6 million (1H 2014: \$12.0 million)
- Average realised gas, condensate and LPG prices in Ukraine for the six month period to 30 June 2015 of \$277/Mm³ (UAH5,936/Mm³), \$53/bbl and \$50/bbl respectively (1H 2014: \$361/Mm³ (UAH3,725/Mm³) gas, \$94/bbl condensate and \$94/bbl LPG)
- Cash and cash equivalents at 30 June 2015 of \$18.9 million (31 December 2014: \$31.8 million), with cash and cash equivalents at 25 September 2015 of \$18.5 million, held as to \$5.8 million equivalent in Ukrainian Hryvnia and the balance of \$12.7 million equivalent predominately in US Dollars and Sterling
- Short-term investments at 30 June 2015 of \$14.5 million following reclassification of cash and cash equivalents held with Unex Bank, further details of which are set out below

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Outlook

- Due to the geopolitical situation in Ukraine, the economic impact of the devaluation of the Ukrainian Hryvnia, the increase in subsoil taxes and the uncertainty in both the gas sales price and gas sales market, a limited development programme is planned for the second half of 2015
- Focus during the second half of 2015 on continued geological, geophysical and well performance studies to improve understanding of the sub-surface at MEX-GOL and SV fields
- Funding of remaining 2015 development programme anticipated to be from existing cash and cash equivalents and operational revenues
- Geopolitical and economic outlook in Ukraine remains uncertain

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Joe Staffurth, BSc Geology, PESGB, AAPG, 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

bbbl	barrel
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
LPG	liquefied petroleum gas
m ³	cubic metre
m ³ /d	cubic metres per day
Mm ³	thousand cubic metres
%	per cent
\$	United States Dollar
UAH	Ukrainian Hryvnia

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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 during the last 18 months, 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 in Ukraine have continued to be relatively unaffected by the upheaval that is ongoing, 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 the first half of 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 the first half of 2015, the Ukrainian Hryvnia devalued significantly against the US Dollar, falling from UAH15.8/\$1.00 on 1 January 2015 to UAH21.0/\$1.00 on 30 June 2015, which resulted in a substantial foreign exchange translation loss of \$17.6 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 in the capital strength, liquidity and creditworthiness of a number of banks, and very high 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 of Ukrainian Hryvnia increasing substantially during the period.

In light of the deterioration 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 is in the process of diversifying 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 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 the impact on the banking sector, in May 2015 the Group obtained 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. However, Smart Holding Group and Unex Bank have not acted in accordance with certain requests to reduce the cash deposits held by the Group in Unex Bank, which has caused the Group to reassess the risks associated with these cash deposits, which amounted to \$14.5 million (held in Ukrainian Hryvnia) as at 30 June 2015. As a result, the Group considers 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. The Group is currently engaged in discussions with the Smart Holding Group and Unex Bank to seek a resolution of this matter leading to a reduction of the cash balance held in Unex Bank. Notwithstanding this reclassification, the Group continues to consider that the going concern basis of accounting in preparing the financial statements remains appropriate,

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since the Group holds cash in banks (including UK banks) sufficient to continue in operational existence for the foreseeable future regarded as at least 12 months from the date of this announcement.

The industrial gas price in Ukraine, which is set in Ukrainian Hryvnia, is broadly related to the US Dollar denominated imported price of gas from Russia. During the first quarter of 2015, the industrial gas price was increasing but during the second quarter, the gas price has declined. This trend was also reflected in the imported gas price which declined in the second quarter of 2015, following the fall in global oil commodity prices over recent months.

From the beginning of August 2014, the Ukrainian Government imposed a significant increase in the subsoil taxes payable by oil and gas companies operating in Ukraine for the period from 1 August 2014 to 31 December 2014. This increase in subsoil taxes had the effect of nearly doubling the taxes payable on the Group's gas production. Although the Government originally stated that this increase in subsoil taxes was a temporary emergency fiscal measure, the Government extended the increase in subsoil taxes into 2015 and the increase continues to apply. This increase has negatively impacted the Group's cost of sales and, in turn, the Group's financial results for the 2014 and 2015 financial years. However, the Government has recently been considering new subsoil tax proposals, with tax rates similar to those in force prior to the emergency measures, although the proposals have not yet been approved by the Government, and it seems likely that the adoption of new subsoil tax rates will not occur until the start of 2016 at the earliest.

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. During this period, the Order significantly disrupted the gas supply market in Ukraine and adversely impacted 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 discounted prices achieved were less than those received prior to the imposition of the Order, and consequently resulted in a negative impact on the Group's financial results during the first half of 2015. Although the Order expired on 28 February 2015, the gas supply market has not returned to normal and the Group's realised gas price has, in US Dollar terms, continued to be less than prior to the imposition of the Order.

As regards the Group's financial performance in the six months to 30 June 2015, a loss of \$3.3 million (1H 2014: \$3.7 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 period was positive at \$6.6 million (1H 2014: \$12.0 million).

Average production over the six months ended 30 June 2015 was 145,009 m³/d of gas, 45.0 m³/d of condensate and 20.4 m³/d of LPG (1,291 boepd in aggregate), which was lower compared with the first half of 2014 predominately as a result of normal production decline (1H 2014: 155,520 m³/d of gas, 54 m³/d of condensate and 20 m³/d of LPG (1,397 boepd in aggregate)).

In late 2014, the Group entered into an agreement with Pryodni 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. During the commissioning process, there has been some impact on the Group's production whilst the optimal processing set up is established, but the "wet" gas treatment operations have been working effectively.

Average production for the period from 1 July 2015 to 23 September 2015 was 152,616 m³/d of gas, 47.0 m³/d of condensate and 51.6 m³/d of LPG (1,478 boepd in aggregate), which included 16,661 m³/d of gas, 4.4 m³/d of condensate and 30.5 m³/d of LPG derived from the "wet" gas treatment operations.

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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 is 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, if successful, will result in the well being brought into production for the Group.

The geopolitical upheaval, the volatility in the gas price and the Ukrainian Hryvnia, and the fiscal and economic uncertainty in Ukraine since the beginning of 2014, have meant that the Group considered it necessary to reduce its planned capital investment programme. The revised programme during the six month period to 30 June 2015 was limited to installation of the Lutsenky "wet" gas treatment infrastructure referred to above, commencing 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 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.

In the remainder of 2015, 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 completing the workover of the SV-6 well, continuing to invest in the Group's gas processing facilities and pipeline network, and performing remedial work on existing wells. Contingent planning is ongoing for the drilling of the MEX-109 well, the hydraulic fracturing of the MEX-120 well and the possible workover of the MEX-102 well.

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 recent months.

Keith Henry
Executive Chairman
25 September 2015

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Finance Review

The Group made a loss in the six month period ended 30 June 2015 of \$3.3 million (1H 2014: \$3.7 million profit). Revenue in the first half of 2015, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was lower at \$10.9 million (1H 2014: \$17.5 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 the first half of 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 UAH21.0/\$1.00 on 30 June 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.

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 increased significantly during the period. Further details are set out in the Operational Environment, Principal Risks and Uncertainties section.

Cash generated from operations during the period was \$6.6 million (1H 2014: \$12.0 million).

For the six month period ended 30 June 2015, the average realised gas, condensate and LPG prices were \$277/Mm³ (UAH5,936/Mm³), \$53/bbl and \$50/bbl respectively (1H 2014: \$361/Mm³ (UAH3,725/Mm³) gas, \$94/bbl condensate and \$94/bbl LPG). The current realised gas price is \$292/Mm³ (UAH6,280/Mm³).

The maximum industrial gas price within Ukraine was previously adjusted quarterly by the National Commission for State Energy and Public Utilities Regulation (the "National Commission"), but more recently, due to the volatility in the Ukrainian Hryvnia, this gas price has been adjusted monthly. The industrial gas price is broadly related to the imported price of gas from Russia, which in turn is linked to global oil commodity prices. Since April 2015, the imported gas price calculated under the longstanding gas supply agreement between Russia and Ukraine has been \$248/Mm³, reflecting the decrease in global oil commodity prices over recent months.

The industrial gas price set by the National Commission, with effect from 1 September 2015, is \$303/Mm³ (UAH6,600/Mm³ using the exchange rate as at 1 September 2015 of UAH21.8/\$1.00).

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

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28 February 2015 from Naftogaz, the State-owned gas supplier, rather than from other gas producers in Ukraine. 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 first half of 2015.

Although the Order expired on 28 February 2015, the gas supply market has not returned 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. As a result, the Group's realised gas price has continued to be less than prior to the imposition of the Order, averaging 13% below the maximum industrial gas price set by the National Commission during the first half of 2015.

With effect from 1 August 2014, 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 the period from 1 August 2014 to 31 December 2014, the Government extended the increases in subsoil taxes into 2015, and the increases continue to apply. However, the Government has recently been considering new subsoil tax proposals, with tax rates similar to those in force prior to the emergency measures, although the proposals have not yet been approved by the Government, and it seems likely that the adoption of new subsoil tax rates will not occur until the start of 2016 at the earliest. The increases in subsoil taxes negatively impacted cost of sales in the first half of 2015, and will also negatively impact the Group's financial results for the 2015 year.

Cost of sales for the six month period ended 30 June 2015 was lower at \$9.4 million (1H 2014: \$10.7 million), mainly due to lower production volumes and exchange rate fluctuations, and notwithstanding the increased subsoil taxes.

Administrative expenses for the six month period ended 30 June 2015 were lower at \$2.0 million (1H 2014: \$3.0 million), primarily due to the devaluation of the Ukrainian Hryvnia against the US Dollar.

The tax charge for the period of \$3.8 million (1H 2014: \$0.9 million) comprises a current tax charge of \$0.6 million (1H 2014: nil) and a deferred tax charge of \$3.2 million (1H 2014: \$0.9 million).

The Group has recognised a deferred tax asset of \$14.1 million at 30 June 2015 (31 December 2014: \$20.4 million). This comprises a deferred tax asset of \$4.5 million (31 December 2014: \$7.9 million) in relation to UK tax losses carried forward, and \$9.6 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 the first half of 2015 is primarily due to foreign exchange translation losses caused by the devaluation of the Ukrainian Hryvnia against the US Dollar.

Capital investment of \$1.2 million predominately reflects investment in the Group's oil and gas development and production asset for the period (1H 2014: \$2.6 million). Capital investment was lower in the period 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 30 June 2015 were \$18.9 million (31 December 2014: \$31.8 million). The Group's cash and cash equivalents balance at 25 September 2015 was \$18.5 million, held as to \$5.8

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million equivalent in Ukrainian Hryvnia and the balance of \$12.7 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. 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 companies within the Smart Holding Group in support of the Group's cash deposits in Unex Bank. However, Smart Holding Group and Unex Bank have not acted in accordance with certain requests to reduce the cash deposits held by the Group in Unex Bank, which has caused the Group to reassess the risks associated with these cash deposits, which amounted to \$14.5 million (held in Ukrainian Hryvnia) as at 30 June 2015. As a result, the Group considers 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 discussions with the Smart Holding Group and Unex Bank to seek a resolution of this matter leading to a reduction of the cash balances held in Unex Bank.

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 remaining 2015 development programme.

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

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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 and a substantial depreciation of the Ukrainian Hryvnia against major foreign currencies. The ratings of Ukrainian sovereign debt have been downgraded by international rating agencies with negative outlook for the future. During 2014, Ukraine's GDP decreased by 6.8% and annual inflation rose to nearly 25%.

The instability started after the failure of the Ukrainian Government to sign the Association and Free Trade Agreement with the European Union at the end of November 2013. Shortly afterwards, the Ukrainian Government announced a deal with Russia for the purchase of up to \$15 billion of Ukrainian Government bonds, of which \$3 billion was provided in December 2013. This triggered protests against the Government's actions beginning in late 2013 that turned into street violence in January and February 2014. At the end of January 2014, the President of Ukraine accepted the resignation of Ukraine's Prime Minister. Following this, the Russian Government suspended its financial support and relations with Russia started to deteriorate.

An agreement between the President and opposition leaders in late February 2014, in an attempt to resolve the situation, ultimately ended up with the Ukrainian Parliament voting to return to the 2004 Constitution, which provided greater sharing of powers between the Parliament and the President, and the President fleeing the country. On 26 February 2014, the Parliament appointed a new Prime Minister and Government. On 25 May 2014, a new President was elected.

In late February 2014, Russian troops occupied Crimea. On 16 March 2014, an unofficial referendum was held in Crimea on its secession from Ukraine, and Russia signed a treaty with Crimea to annex the territory to Russia. The Ukrainian Parliament declared Crimea as a territory temporarily occupied by Russia.

In April and May 2014, pro-Russian groups in the Donetsk and Luhansk regions demanded autonomy from Ukraine, which led to armed conflict with Ukrainian Government forces, which became progressively worse.

In September 2014, the Ukrainian Government agreed a ceasefire with the pro-Russian groups, but fighting continued and escalated. On 12 February 2015, a further 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 escalating 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.

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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 UAH21.0/\$1.00 on 30 June 2015. As at 25 September 2015, the Ukrainian Hryvnia was trading at UAH21.5/\$1.00. 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 Government has continued to work with the United States, European Union and International Monetary Fund in order to obtain financing and avoid defaulting on its loans. On 30 April 2014, the International Monetary Fund approved a two-year Stand-By Arrangement for Ukraine, amounting to \$17 billion, to support the Government's economic programme designed to restore macroeconomic stability and enhance the efficiency of mechanisms aimed at sustainable economic growth. In May 2014, the Government signed loan agreements worth a total of \$1.48 billion with the World Bank. In June 2014, the economic component of the Association and Free Trade Agreement with the European Union was signed by the Government. On 11 March 2015, the Stand-By Arrangement was replaced by a new funding package from the International Monetary Fund amounting to \$17.5 billion over a four year period. The agreement for this new funding package stipulates a number of fiscal and economic reforms, including reforms in the banking and energy sectors.

The final resolution and the effects of the political and economic situation in Ukraine are difficult to predict but they are likely to have further 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 needs from Russia. 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 generally 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 accounts, 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.

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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 2014) of 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 all 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 upheaval in Ukraine has led to a significant deterioration of Ukraine's finances, volatility in financial 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. 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 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.

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In light of the deterioration in the banking sector in Ukraine, the Group is in the process of diversifying its banking arrangements between a number of banks in Ukraine. These steps 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 increasing substantially over the past eighteen months.

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 obtained a guarantee and security from companies within the Smart Holding Group in support of the Group's cash deposits in Unex Bank. However, Smart Holding Group and Unex Bank have not acted in accordance with certain requests to reduce the cash deposits held by the Group in Unex Bank, which has caused the Group to reassess the risks associated with these cash deposits, which amounted to \$14.5 million (held in Ukrainian Hryvnia) as at 30 June 2015. As a result, the Group considers 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 cash deposits. 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 such 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 2015 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 in recent months, and as a result, the Group's cash holdings of Ukrainian Hryvnia in Ukraine have increased significantly 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 UAH21.0/\$1.00 on 30 June 2015. As at 25 September 2015, the Ukrainian Hryvnia was trading at UAH21.5/\$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. 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.

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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. Whilst the Ministry Order was resolved in 2011, the environment is such that a challenge may arise at any time in the future 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 continues to be significant uncertainty about the future gas price in Ukraine, which has been exacerbated by the major political events that have taken place in Ukraine during recent months. The industrial gas price has been generally related to the imported price of gas from Russia, but there is a continuing dispute between Russia and Ukraine as to the interpretation of the gas pricing calculation under their longstanding gas supply agreement. As a result of the continuing uncertainty regarding the industrial gas price, it should be recognised that the industrial gas price may increase or decline significantly.

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. 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 first half of 2015. Whilst the Order was not extended beyond 28 February 2015, similar regulations may be imposed in the future.

With effect from 1 April 2015, the Ukrainian Government implemented reforms to the gas market in Ukraine, under which the previously State-subsidised domestic gas price will begin to converge with the industrial gas price. In addition, the Ukrainian Government has enacted legislation designed to deregulate the gas market in Ukraine, but the timeframe for the implementation of such legislation is unclear. Over time, these reforms are likely to have an effect on the internal gas market in Ukraine.

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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 into 2015 and are likely to continue for the rest of 2015. Whilst the Ukrainian Government has recently been considering new subsoil tax proposals, with tax rates similar to those in force prior to the imposition of the emergency measures, it is uncertain whether the new subsoil tax proposals will be ultimately be adopted and it is also uncertain whether any new tax rates will be similar to the levels prior to the temporary increases and any such tax rates may be set at another level. In the event that the subsoil tax rates continue to be substantially higher than the levels prior to the increases, it is likely that the Group's financial results will continue to be negatively impacted 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.

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Condensed Interim Consolidated Income Statement

	Note	6 months ended 30 Jun 15 (unaudited) \$000	*Restated 6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Revenue	3	10,933	17,543	34,572
Cost of sales		(9,412)	(10,684)	(22,707)
Gross profit		1,521	6,859	11,865
Administrative expenses		(2,016)	(2,981)	(5,513)
Other operating gains and losses (net)	4	17	42	118
Operating (loss) / profit		(478)	3,920	6,470
Interest income		968	629	2,010
Finance costs		(14)	(111)	(48)
Other gains and losses (net)		5	94	(344)
Profit on ordinary activities before taxation		481	4,532	8,088
Income tax expense	5	(3,777)	(869)	(2,333)
(Loss)/profit for the period		(3,296)	3,663	5,755
(Loss)/earnings per ordinary share (cents)				
Basic and diluted	6	(1.0c)	1.1c	1.8c

*As restated. See Note 5.

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

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Condensed Interim Consolidated Statement of Comprehensive Income

	6 months ended	*Restated 6 months ended	12 months ended
	30 Jun 15 (unaudited) \$000	30 Jun 14 (unaudited) \$000	31 Dec 14 (audited) \$000
(Loss)/profit for the period	(3,296)	3,663	5,755
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Equity – foreign currency translation	(17,607)	(37,936)	(62,451)
Total other comprehensive expense	(17,607)	(37,936)	(62,451)
Total comprehensive expense for the period	(20,903)	(34,273)	(56,696)

*As restated. See Note 5.

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

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Condensed Interim Consolidated Balance Sheet

	Note	30 Jun 15 (unaudited) \$000	31 Dec 14 (audited) \$000
Assets			
Non-current assets			
Intangible assets		79	48
Property, plant and equipment	7	23,290	35,267
Trade and other receivables	8	117	1,309
Corporation tax receivable		-	305
Deferred tax asset	5	14,118	20,413
		37,604	57,342
Current assets			
Inventories	9	1,760	2,099
Trade and other receivables	8	1,428	3,436
Corporation tax receivable		229	-
Other short-term investments	11	14,457	
Cash and cash equivalents	11	18,945	31,836
		36,819	37,371
Total assets		74,423	94,713
Liabilities			
Current liabilities			
Trade and other payables		(2,344)	(1,859)
Corporation tax payable		(341)	(70)
		(2,685)	(1,929)
Net current assets		34,134	35,442
Non-current liabilities			
Provision for decommissioning	10	(143)	(255)
Defined benefit liability		(89)	(120)
		(232)	(375)
Total liabilities		(2,917)	(2,304)
Net assets		71,506	92,409
Equity			
Called up share capital		28,115	28,115
Share premium account		555,090	555,090
Foreign exchange reserve		(86,624)	(69,017)
Other reserves		4,273	4,273
Accumulated losses		(429,348)	(426,052)
Total equity		71,506	92,409

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

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Condensed Interim Consolidated Statement of Changes in Equity

	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 (audited)	28,115	555,090	(3,204)	7,477	(69,017)	(426,052)	92,409
Loss for the period	-	-	-	-	-	(3,296)	(3,296)
Other comprehensive loss							
- Exchange differences	-	-	-	-	(17,607)	-	(17,607)
Total comprehensive loss	-	-	-	-	(17,607)	(3,296)	(20,903)
As at 30 June 2015 (unaudited)	28,115	555,090	(3,204)	7,477	(86,624)	(429,348)	71,506

	Called up share capital \$000	Share premium account \$000	Merger reserve \$000	Capital contributions \$000	*Restated Foreign exchange reserve** \$000	*Restated Accumulated losses \$000	Total equity \$000
As at 1 January 2014 (audited)**	28,115	555,090	(3,204)	7,477	(6,566)	(431,807)	149,105
Profit for the period	-	-	-	-	-	3,663	3,663
Other comprehensive loss							
- Exchange differences	-	-	-	-	(37,936)	-	(37,936)
Total comprehensive loss	-	-	-	-	(37,936)	3,663	(34,273)
As at 30 June 2014 (unaudited)	28,115	555,090	(3,204)	7,477	(44,502)	(428,144)	114,832

*As restated. See Note 5.

** Predominantly as result of exchange differences on retranslation, where the subsidiaries functional currency is not US Dollar

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

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Condensed Interim Consolidated Cash Flow Statement

	Note	6 months ended 30 Jun 15 (unaudited) \$000	6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Operating activities				
Cash from operations	12	5,956	11,955	19,562
Taxation paid		(346)	(580)	(849)
Interest received		968	629	1,979
Net cash generated from operating activities		6,578	12,004	20,692
Investing activities				
Purchase of property, plant and equipment		(967)	(3,813)	(5,485)
Purchase of intangible assets		(4)	(2)	(3)
Proceeds from sale of property, plant and equipment		13	-	22
Other short-term investments	11	(14,457)		
Net cash used in investing activities		(15,415)	(3,815)	(5,466)
Net (decrease) / increase in cash and cash equivalents				
		(8,837)	8,189	15,226
Cash and cash equivalents at beginning of period		31,836	25,084	25,084
Effect of foreign exchange rate changes		(4,054)	(3,162)	(8,474)
Cash and cash equivalents at end of period		18,945	30,111	31,836

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

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Notes to the condensed consolidated financial statements

1. Operating environment

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

Regal Petroleum plc is a company quoted on the AIM Market of 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 and its registered number is 4462555.

The Group’s gas and condensate extraction facilities are located in Ukraine. The major events that have taken place in Ukraine during recent months, including the change of the Government and civil unrest, have meant that there has been, and continues to be, a great deal of uncertainty about the political and economic outlook in Ukraine.

Since late 2013, there has been significant political instability in Ukraine with numerous protests and continued political uncertainty that has led to a deterioration of the State’s finances, volatility in financial markets and sharp depreciation of the Ukrainian Hryvnia against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine (“NBU”), among other measures, imposed restrictions on the processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

In 2014, the political situation was also volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. The political situation in the east of Ukraine deteriorated from mid-2014 and continued in 2015, with armed conflict and military activity in parts of the Donetsk and Lugansk regions. This armed conflict has put further pressure on relations between Ukraine and the Russian Federation.

Escalating political tensions have had an adverse effect on the Ukrainian financial markets throughout the period, hampering of the ability of Ukrainian companies and banks to obtain funding from the international and capital and loan markets. This has contributed to a significant devaluation of the Ukrainian Hryvnia against major currencies from early 2014 to the date of this announcement.

As at 25 September 2015, the official NBU exchange rate of the Ukrainian Hryvnia to US Dollars was UAH21.5/\$1.00, compared to UAH15.8/\$1.00 as at 31 December 2014 and UAH8.0/\$1.00 as at 31 December 2013.

In March 2015, the National Bank of Ukraine issued a regulation which temporarily prohibited the payment of dividends by Ukrainian companies to legal entities outside Ukraine. This restriction is effective until 4 December 2015, and is likely to be prolonged.

The final resolution of the political and economic situation in Ukraine and the effects of this situation are difficult to predict, but it may have further severe effects on the Ukrainian economy and the Group’s business.

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

The condensed interim consolidated financial statements for the six month period ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ as adopted by the European Union. The condensed interim financial statements should be

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read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (hereinafter “IFRSs”) as adopted by the European Union.

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 from the date of this announcement. Accordingly, the going concern basis has been adopted in preparing its condensed interim consolidated financial statements for the period ended 30 June 2015. The use of this basis of accounting takes into consideration the Company’s and the Group’s current and forecast financing position, and included an assessment of the impact of the reclassification of the cash held in Unex Bank.

These condensed interim consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 26 May 2015 and subsequently filed with the Registrar of Companies. The Auditor’s Report on those accounts was not qualified, did not contain any statement under section 498 of the Companies Act 2006, but did contain an emphasis of matter in respect to the continuing political and economic uncertainties in Ukraine.

The Auditor has carried out a review of the interim condensed consolidated financial statements for the six month period ended 30 June 2015 and its report is shown at the end of this announcement.

2. Accounting policies

The accounting policies and methods of computation used are consistent with those used in the Group’s Annual Report and Accounts for the year ended 31 December 2014 with the exception of the following new or revised standards and interpretations:

Annual improvements 2011-2013 cycle (effective 1 July 2014 – endorsed in EU for 1 Jan 2015) – it includes changes to:

- IFRS 1, ‘First time adoptions of IFRSs’, basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3, ‘Business combinations’ is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.
- IFRS 13, ‘Fair value measurement’ clarifies that the portfolio exception in IFRS 13 applies to all contracts (including nonfinancial contracts) within the scope of IAS 39 or IFRS 9.
- IAS 40, ‘Investment property’ is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

These amendments to IFRSs effective for the financial year ending 31 December 2015 are not expected to have a material impact on the Group..

Estimates

The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014, with the exception of changes in estimates that are required in determining the provision for income taxes and the assessment of the cash held in Unex Bank.

Reclassification of expenses

For the six month period ended 30 June 2015, the Group reclassified expenses related to changes in the VAT provision and other operating costs, such as recovery of assets and rental income, from other gains and losses (net) to other operating gains and losses (net). The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been amended accordingly. For the six month period ended 30 June 2014, other gains and losses (net) reclassified amounted to \$42,000 (for 2014: \$118,000).

3. Segment 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, budgets 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 (loss) / profit before depreciation and amortisation.

6 months ended 30 June 15 (unaudited)

	Ukraine \$000	United Kingdom \$000	Total \$000
Turnover			
Gas sales	7,396	-	7,396
Condensate sales	2,695	-	2,695
Liquefied Petroleum Gas sales	842	-	842
Total sales	10,933	-	10,933
Segment result	4,266	(911)	3,355
Depreciation and amortisation			(3,833)
Operating loss			(478)
Segment assets	56,068	18,355	74,423
Capital additions	1,186	-	1,186

There are no inter-segment sales within the Group and all products are sold in the geographical region in which they are produced. The Group is not significantly impacted by seasonality.

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6 months ended 30 June 14

	Ukraine \$000	United Kingdom \$000	Total \$000
Turnover			
Gas sales	10,170	-	10,170
Condensate sales	5,811	-	5,811
Liquefied Petroleum Gas sales	1,562	-	1,562
Total sales	17,543	-	17,543
Segment result	9,790	(1,622)	8,168
Depreciation and amortisation			(4,248)
Operating profit			3,920
Segment assets	95,461	23,143	118,604
Capital additions	2,626	-	2,626

12 months ended 31 December 14 (audited)

	Ukraine 2014 \$000	United Kingdom 2014 \$000	Total 2014 \$000
Turnover			
Gas sales	20,201	-	20,201
Condensate sales	11,171	-	11,171
Liquefied Petroleum Gas sales	3,200	-	3,200
Total sales	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

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4. Other operating gains and losses (net)

	6 months ended 30 Jun 15 (unaudited) \$000	6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Reversal of impairment / (impairment) of VAT receivables	335	-	(77)
Rental income	6	9	40
(Loss) / income from write off / recovery of non-current assets	(333)	-	91
Other operating income (net)	9	33	64
	17	42	118

Other operating gains and losses (net) for the six month period ended 30 June 2015 include income from the reversal of the provision on VAT receivables of \$335,000. 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. Based on the Group's future projections of sales and capital expenditure, which are derived from the assumptions in the value in use model, and the utilisation of \$3,025,000 of the VAT receivable in the six month period ended 30 June 2015, it was decided to reverse the provision for the VAT receivable by the amount of \$335,000. The Directors believe that the outstanding current VAT receivable balance will be fully recovered by the end of 2015.

In addition, other operating gains and losses (net) for the six month period ended 30 June 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 period.

5. Taxation

The income tax charge of \$3,777,000 for the six month period ended 30 June 2015 relates to a current tax charge of \$613,000 and a deferred tax charge of \$3,164,000 (six month period ended 30 June 2014: current tax charge of \$nil and deferred tax charge of \$869,000).

The movement in the period was as follows:

	6 months ended 30 Jun 15 (unaudited) \$000	*Restated 6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Deferred tax recognised on tax losses			
At beginning of period	7,861	7,807	7,807
(Charged) / credited to Income Statement - current period	(3,381)	(213)	54
At end of period	4,480	7,594	7,861

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Deferred tax recognised relating to development and production asset

At beginning of period	12,552	27,287	27,287
(Charged) / credited to Income Statement - current period	217	(656)	(1,408)
Effect of exchange difference	(3,131)	(8,143)	(13,327)
At end of period	9,638	18,488	12,552

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

At 30 June 2015, the Group recognised a deferred tax asset of \$4,480,000 in relation to UK tax losses carried forward (31 December 2014: \$7,861,000). There was a further \$90 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 30 June 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 30 June 2015 of \$9,638,000 (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, which are based on the current field development plan.

UK Corporation tax change

The UK corporation tax rate has reduced from 21% to 20% from 1 April 2015 and this has been reflected in these interim financial statements. Further changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date, their effects are not included in these financial statements.

The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional \$1,284,000 and increase the tax expense for the period by \$1,284,000.

Correction of prior period errors

During the preparation of the consolidated financial statements for the six months ended 30 June 2014 and the year ended 31 December 2014, the Group became aware of matters related to the preparation of the consolidated financial statements for the year ended 31 December 2013 that require restatement.

With effect from 1 January 2013, the functional currency of two of the Group's subsidiaries was changed from US Dollars to Ukrainian Hryvnia. The change was triggered by the increasing influence of the Ukrainian Hryvnia on the subsidiaries' operations, compared to previous years. However, management did not change the functional currency in the tax accounting with US Dollars remaining the currency used for the deferred income tax calculation in 2013.

Correction of the error in the financial statements for the six months ended 30 June 2014 resulted in a decrease in the deferred tax asset of \$1,259,000 in the consolidated Balance Sheet and a

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corresponding increase in the income tax charge of \$865,000 in the consolidated Income Statement and an increase in the foreign exchange reserve of \$394,000 in the consolidated Statement of Comprehensive Income for the six months ended 30 June 2014. In the financial statements for the year ended 31 December 2014 this error was corrected in the opening position by restating the balances as of 31 December 2013 in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”.

In the financial statements for the six months ended 30 June 2015, the Group restated the comparatives for the six months ended 30 June 2014 in the Income Statement, Statement of Comprehensive Income and Equity Statement to reflect correction of the deferred tax error via restating the balances as of 31 December 2013 in line with the treatment applied in the 31 December 2014 financial statements. It resulted in a decrease of the income tax expense of \$865,000 with a corresponding increase of the profit and a decrease of the foreign currency translation loss of \$394,000 with a corresponding decrease of the total comprehensive expense for the six months ended 30 June 2014.

6. (Loss) / Profit per ordinary share

The calculation of basic and diluted loss per ordinary share has been based on the loss for the six month period ended 30 June 2015 and 320,637,836 ordinary shares (six month period ended 30 June 2014: 320,637,836), being the average number of shares in issue for the period. No dilutive elements existed as at 30 June 2015 and 2014.

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7. Property, plant and equipment

Group	6 months ended 30 Jun 15 (unaudited)			12 months ended 31 Dec 14 (audited)		
	Development and Production assets Ukraine \$000	Other fixed assets \$000	Total \$000	Development and Production assets Ukraine \$000	Other fixed assets \$000	Total \$000
Cost						
At beginning of the period	148,254	984	149,238	277,014	1,272	278,286
Additions	1,171	15	1,186	3,995	330	4,325
Change in decommissioning provision	(63)	-	(63)	(204)	-	(204)
Disposals and write-offs	(886)	(7)	(893)	(924)	(330)	(1,254)
Exchange differences	(37,053)	(230)	(37,283)	(131,627)	(288)	(131,915)
At end of the period	111,423	762	112,185	148,254	984	149,238
Depreciation and impairment						
At beginning of the period	113,514	457	113,971	203,784	803	204,587
Charge for the period	3,796	31	3,827	8,727	104	8,831
Disposals and write-offs	(423)	(6)	(429)	(37)	(193)	(230)
Exchange differences	(28,367)	(107)	(28,474)	(98,960)	(257)	(99,217)
At end of the period	88,520	375	88,895	113,514	457	113,971
Net book value at the beginning of the period	34,740	527	35,267	73,230	469	73,699
Net book value at end of the period	22,903	387	23,290	34,740	527	35,267

At 30 June 2015, disposals and write-offs include a write-off of preparatory works of \$333,000 in respect of wells SV-67 and MEX-122 located on the SV and MEX-GOL gas and condensate fields, see Note 4 for details.

At 30 June 2015, the Directors performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment. As part of this assessment, the assumptions used in the impairment testing undertaken as at 31 December 2014, which was completed for the signing of the Group's financial statements in May 2015, were reviewed and it was noted that no significant changes had occurred to the assumptions to which the value of the Group's development and production assets are most sensitive. Based on the analysis performed, the Directors concluded that no external or internal impairment indicators existed as at 30 June 2015, and accordingly no impairment testing was required as at that date.

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8. Trade and other receivables

	30 Jun 15 (unaudited) \$000	31 Dec 14 (audited) \$000
Non-current		
VAT receivable	117	1,309
	117	1,309
Current		
VAT receivable	788	2,236
Prepayments and accrued income	315	241
Trade receivables	140	740
Other receivables	185	219
	1,428	3,436

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

No impairment provision was charged against trade and other receivables during the six month period ended 30 June 2015.

The current VAT receivable of \$788,000 (2014: \$2,236,000) relates to capital expenditure in Ukraine, and is expected to be recovered via an offset against VAT payable arising on future sales. The remaining VAT receivable balance of \$117,000 (2014: \$1,309,000) is classified as non-current as, based on the Group's future sales projections, it is not expected to be recoverable within one year. The Directors are satisfied that all such amounts are fully recoverable.

As at 30 June 2015, the Group was in dispute with the Ukrainian tax authorities in respect of a VAT receivable on imported leased equipment, with a possible liability of up to \$404,000 (2014: \$532,000) inclusive of penalties and other associated costs. There is a level of ambiguity in the interpretation of the relevant tax legislation, and the position adopted by the Group has been challenged by the Ukrainian tax authorities, which has led to legal proceedings to resolve the issue. The Directors believe that adequate defences exist to the claim and do not expect the challenge by the Ukrainian tax authorities to be successful. Accordingly, no liability has been recognised in these condensed interim consolidated financial statements for the six month period ended 30 June 2015.

9. Inventories

Inventories consist of spare parts that were not assigned to any new wells as at 30 June 2015 or are available for sale, together with production raw materials and produced condensate and LPG held at the processing facility prior to sale.

All inventories are measured at the lower of cost or net realisable value.

10. Provision for decommissioning

The non-current provision of \$143,000 (31 December 2014: \$255,000) represents a provision for the decommissioning of the Group's Ukraine production facilities, including site restoration. It is based on the net present value of the Group's estimated liability, and these costs are expected to be incurred by 2036 (31 December 2014: by 2036). The Group's licences currently expire in 2024, but are assumed to be extended until 2036 to reflect the economic life of the field. However, if the costs were to be

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incurred at the licences' current expiry date in 2024, the provision for decommissioning at 30 June 2015 would be \$926,000 (31 December 2014: \$1,257,000).

11. Financial instruments

The Group held the following financial instruments at 30 June 2015. The fair value of the financial instruments is not materially different to the book value.

	30 Jun 15 (unaudited) \$000	31 Dec 14 (audited) \$000
Financial assets		
Cash and cash equivalents	18,945	31,836
Other short-term investments	14,457	-
Trade and other receivables	140	740
	33,542	32,576
Financial Liabilities		
Trade and other payables	363	7
Accruals	115	204
	478	211

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

At 30 June 2015, the Group held cash and cash equivalents in the following currencies:

	30 Jun 15 (unaudited) \$000	31 Dec 14 (audited) \$000
US Dollars	11,646	11,731
Ukrainian Hryvnia	5,715	17,496
British Pounds	1,439	2,441
Euros	143	166
Canadian Dollars	2	2
	18,945	31,836

The decrease in cash and cash equivalent at 30 June 2015 is due to \$14,457,000 being reclassified as short-term investments (with an equal carrying value) as a result of Smart Holding Group and Unex Bank, where the Group holds an equivalent amount in Ukrainian Hryvnia, not acting in accordance with requests to reduce this cash balance. This has caused the Group to consider that this reclassification is appropriate. Further details are set out in Note 14 below and elsewhere in this announcement.

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12. Reconciliation of operating profit to operating cash flow

	6 months ended 30 Jun 15 (unaudited) \$000	6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Operating (loss) / profit	(478)	3,920	6,470
Depreciation, amortisation and impairment charges	3,833	4,248	8,852
Loss on write-off of property, plants and equipment	333	-	-
Movement in provisions	2	107	79
Reversal / accrual of VAT provision	(335)	-	77
Change in inventories	(192)	(1)	(99)
Change in debtors	2,087	3,057	4,617
Change in creditors	706	624	(434)
Net cash generated from operations	5,956	11,955	19,562

13. Capital commitments

Amounts contracted in relation to the Group's 2015 investment programme at the MEX-GOL and SV gas and condensate fields in Ukraine, but not provided for in the consolidated interim financial statements at 30 June 2015, were \$815,000, the majority of which were denominated in Ukrainian Hryvnia (31 December 2014: \$171,000).

14. Related party transactions

Key management personnel of the Group are considered to comprise only the Directors. Remuneration of the Directors for the six month period ended 30 June 2015 was \$392,000 (six month period ended 30 June 2014: \$400,000).

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

	6 months ended 30 Jun 15 (unaudited) \$000	6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Sale of goods / services	38	41	86
Purchase of goods / services	44	77	172
Amounts owed by related parties	8	9	44
Amounts owed to related parties	9	13	12

All related party transactions were with subsidiaries of the ultimate Parent Company. The amounts outstanding were unsecured and will be settled in cash.

As of 30 June 2015, the Company's immediate parent company, owing 54% of the Group, was Energiees Management Limited, which is 100% owned by Pelidona Services Limited, which is 100%

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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 period:

	6 months ended 30 Jun 15 (unaudited) \$000	6 months ended 30 Jun 14 (unaudited) \$000	12 months ended 31 Dec 14 (audited) \$000
Interest received	905	610	1,987
Bank charges	4	6	14
Closing cash balance	14,457	15,823	17,456

The political and economic turmoil in Ukraine, as outlined in the Operational Environment, Principal Risks and Uncertainties section of this announcement, caused Standard & Poor's to downgrade Ukraine's sovereign credit rating in August 2015 to "CC with a negative outlook".

The significant strains affecting the Ukrainian banking system, which are detailed in the Operational Environment, Principal Risks and Uncertainties section of this announcement, have caused the Group to start to diversify its banking arrangements between a number of banks in Ukraine. These steps are designed to spread the risks associated with each bank's creditworthiness.

The Group 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. However, Smart Holding Group and Unex Bank have not acted in accordance with requests to reduce the cash deposits held by the Group in Unex Bank, which has caused the Group to consider it appropriate to reclassify its cash holdings in Unex Bank, which amounted to \$14,457,000 as at 30 June 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 report, none of the Company's controlling parties prepares consolidated financial statements available for public use.

15. Subsequent events

In July 2015, the Group commenced commissioning of the treatment of "wet" gas from the adjacent Lutsenky field. During the commissioning process, there was some impact on the Group's production whilst the optimal processing set up is established, but the "wet" gas treatment operations have been working effectively.

In July and August 2015, proposals were made in the Ukrainian Parliament to replace the temporary subsoil tax measures introduced in August 2014, with a new subsoil tax regime with much lower tax rates, as follows:

- Reduction of the subsoil tax rates to 29% (currently 55%) and to 14% (currently 28%) 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

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industrial gas price set by the National Commission

- Future implementation of a corporation tax surcharge on oil and gas projects

Although the proposals have not yet been approved, it is considered that these or similar proposals will be approved in the second half of 2015, with their implementation forecast for the start of 2016. However, the proposals which are eventually approved and the timing of their implementation remains uncertain.

With effect from 4 September 2015, the National Bank of Ukraine adopted further measures to prolong the existing comprehensive banking restrictions in Ukraine referred to earlier in this announcement, and to introduce some additional measures, as follows:

- Restrictions on cross-border payment of dividends to foreign investors
- Restriction on early repayment of loan agreements between Ukrainian borrowers and foreign creditors (subject to certain exceptions)
- Prohibition for banks to provide loans in Ukrainian Hryvnia (including prolongation of previously provided credit lines), if such loans are secured by pledges of funds in foreign currency. Prohibition to register amendments to cross-border loans regarding changes to the lender or the borrower or assignments of domestic loans to non-residents, save for assignments / transfers in the case of winding-up or merger of the borrower
- With certain exceptions, banks remain prohibited from purchasing foreign currency for clients that have their own foreign currency funds
- Banks are prohibited from purchasing and transferring foreign currency to foreign investors in certain circumstances relating to the return of capital (e.g. a decrease of a company's charter capital or the foreign investor's withdrawal as a participant / shareholder in a company)

These measures will remain in force until 3 December 2015, when the National Bank of Ukraine will again consider such measures. The Directors are currently assessing the impact of these restrictions on the Group.

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Independent review report to Regal Petroleum plc

Introduction

We have been engaged by the Group to review the condensed set of the interim consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2015, which comprises the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated balance sheet, condensed interim consolidated statement of changes in equity, condensed interim consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of the interim consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Group's annual financial statements.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of the interim consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of the interim consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Group for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of the interim consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

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Emphasis of matter

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the condensed set of the interim consolidated financial statements concerning the operations of the Group, and those of other entities in Ukraine, having been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
Chartered Accountants
25 September 2015

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