

Press Release

16 September 2021

ENWELL ENERGY PLC

2021 INTERIM RESULTS

Enwell Energy plc (the “Company”, and with its subsidiaries, the “Group”), the AIM-quoted (ENW) oil and gas exploration and production group, announces its unaudited results for the six month period ended 30 June 2021.

Highlights

Operations

- Aggregate average daily production from the MEX-GOL, SV and VAS fields of 4,917 boepd, which compares with 4,545 boepd during the first half of 2020, an increase of approximately 8%, with record levels of average daily production of 5,254 boepd achieved in Q2 2021
- SV-25 appraisal well successfully completed and brought on production in February 2021
- Drilling operations for SV-29 development well completed in late August 2021 and testing operations now underway
- Commencement of drilling of SC-4 appraisal well on the SC licence
- No significant disruption to the Group’s operations arising from the COVID-19 pandemic to date

Finance

- Revenue of \$41.1 million (1H 2020: \$24.7 million), up 66% as a result of higher production rates and much improved gas prices in the period
- Operating profit of \$18.1 million (1H 2020: \$5.2 million)
- Net profit for the first half of 2021 of \$13.8 million (1H 2020: \$1.2 million)
- Cash and cash equivalents of \$62.9 million at 30 June 2021, and at 14 September 2021 of \$54.4 million (31 December 2020: \$61.0 million)
- Average realised gas, condensate and LPG prices in Ukraine were much higher, particularly gas prices, at \$249/Mm³ (UAH6,897/Mm³), \$74/bbl and \$66/bbl respectively (1H 2020: \$139/Mm³ (UAH3,514/Mm³) gas, \$42/bbl condensate and \$40/bbl LPG)
- Reduction of capital completed through the cancellation of the Company’s entire share premium account which has created distributable reserves, thereby enabling the possibility of the Company making distributions to shareholders in the future

Outlook

- Development work for the remainder of 2021 at the MEX-GOL and SV fields includes: testing of the SV-29 well, and subject thereto, hook-up to production facilities; commencement of drilling of the SV-31 development well; and undertaking an upgrade of the gas processing facilities

Press Release

- Development work for the remainder of 2021 at the VAS field includes: planning for a new well to explore the VED prospect within the VAS licence area; and maintenance of the gas processing facilities, flow-line network and other field infrastructure
- Development work for the remainder of 2021 at the SC licence area includes: continuing drilling operations on the SC-4 well; acquisition of 150 km² of 3D seismic; and further planning for the development of the SC licence area
- Development programme for the remainder of 2021 expected to be funded from existing cash resources and operational cash flow

Sergii Glazunov, CEO, commented: *“2021 has been an excellent operational year so far, with strong production from the MEX-GOL, SV and VAS fields, coupled with the significant recovery in gas prices, contributing to our much improved profitability in the period. We are looking forward to the results of the SV-29 development well and to further progressing our development programme over the remainder of the year. We are also pleased to have commenced the appraisal of the SC licence, with the spudding of the SC-4 well, our first well on this licence.”*

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, which forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

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Dmitry Sazonenko, MSc Geology, MSc Petroleum Engineering, Member of AAPG, SPE and EAGE, Director of 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.

Press Release

Definitions/Glossary

AAPG	American Association of Petroleum Geologists
Arkona	LLC Arkona Gas-Energy
bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
Company	Enwell Energy plc
Group	Enwell Energy plc and its subsidiaries
km	kilometre
km ²	square kilometre
LPG	liquefied petroleum gas
MEX-GOL	Mekhdiviska-Golotvshinska
m ³	cubic metre
Mm ³	thousand cubic metres
MMboe	million barrels of oil equivalent
MMscf	million scf
MMscf/d	million scf per day
%	per cent
QHSE	quality, health, safety and environment
SC	Svystunivsko-Chervonolutskyi
scf	standard cubic feet measured at 20 degrees Celsius and one atmosphere
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
SV	Svrydivske
\$	United States Dollar
UAH	Ukrainian Hryvnia
VAS	Vasyshevskoye
VED	Vvdenska
WPC	World Petroleum Council

Press Release

Chairman's Statement

I am delighted to present the 2021 Interim Results. Having faced extraordinary times globally as a result of the COVID-19 pandemic, I am pleased to report that the Group has not been significantly affected on an operational level in the first half of 2021, and has achieved an excellent performance.

The Group has continued to make good progress with its development of the MEX-GOL, SV and VAS gas and condensate fields in north-eastern Ukraine, and has delivered a very strong financial performance during the period. Drilling of the SV-25 appraisal well was successfully completed and the well brought on production in February 2021, whilst the SV-29 development well, which was spudded in February 2021, is now being tested, and subject thereto, will be hooked-up to the gas processing facilities. On the SC licence area, the Group's first well, SC-4, was spudded in August 2021.

Aggregate average daily production from the MEX-GOL, SV and VAS fields during the first half of 2021 was 4,917 boepd, which compares favourably with an aggregate daily production rate of 4,545 boepd during the first half of 2020, an increase of approximately 8%. At the VAS field, production was steady, but lower than during the first half of 2020 after a decline in production from the VAS-10 well. Overall, average daily production in Q2 2021 hit a record quarterly level of 5,254 boepd.

The combination of higher production levels and the strong recovery in gas prices resulted in much improved profitability. During the first half of 2021, the Group's operating profit was \$18.1 million (1H 2020: \$5.2 million), showing a significant increase from the same period last year, and cash generated from operations during the period was also higher at \$19.2 million (1H 2020: \$11.0 million).

This improved level of cash generation has enabled the Group to progress its multiple work programmes across its broadened asset portfolio, with approximately \$26 million invested during the 2021 year to date, with \$15 million invested in 1H 2021.

The fiscal and economic environment in Ukraine remains stable (despite the effects of the COVID-19 pandemic resulting in a contraction in GDP and an increase in the rate of inflation) and, following a weakening during 2020, the Ukrainian Hryvnia exchange rate has improved in 2021 to approximately the rate of mid-2020. Nevertheless, future fiscal and economic uncertainties remain in the Ukrainian market and we continue to be vigilant.

The deregulation of the gas supply market, supported by electronic gas trading platforms and improved pricing transparency, has meant that the market gas prices in Ukraine now broadly correlate with the imported gas prices. During the first half of 2021, gas prices recovered significantly, reflecting a similar trend in European gas prices. Similarly, condensate and LPG prices were also higher by comparison with last year.

COVID-19

We continue to closely monitor the volatility in global financial markets, and the implications on the operational, economic and social environment caused by the COVID-19 pandemic. To date, there has been no significant operational disruption arising from the COVID-19 pandemic, and no material impact is currently envisaged on the Group's prospects. However, the Board and management remain acutely aware of the risks, and are taking action to mitigate them where possible, not only to protect our staff and other stakeholders, but also to minimise any potential disruption to our business. We have taken steps to continually monitor the health of our operational staff, including temperature checks for such staff at the commencement of each shift, as well as investing in technology to enable many staff to work from remote locations. We continue to reassess our medium-term forecasts based on current pricing and are highly confident we have the resources to deliver on our plans. Of course, we cannot be certain of the duration of the pandemic's impact but will remain focussed on monitoring and protecting our business through the period of uncertainty. In protecting our stakeholders interests, we are conscious of our wider obligations to

Press Release

the communities, and country, in which we operate. Accordingly, as previously announced, last year we acted, alongside other corporate entities in Ukraine, to directly acquire critical equipment and supplies from Chinese suppliers to donate to the Ukrainian State to assist its efforts to manage the pandemic in Ukraine.

Capital Reduction

On 25 February 2021, the Company completed a reduction of its share capital through the cancellation of its entire share premium account. This reduction of capital created distributable reserves of the Company, which enables the Company to make distributions to its shareholders in the future, subject to the Company's financial performance. However, the Company is not indicating any commitment, and does not have any current intention, to make any distributions to shareholders.

Outlook

Whilst there are still challenges, the business environment in Ukraine is relatively stable despite the COVID-19 outbreak. Following the strong operational performance during the first half of 2021, and the increased production output during the period, we are looking forward to the results of the SV-29 development well, which are expected in the near future. We are also looking forward to achieving further success in the development activities planned for the remainder of 2021 and, facilitated by the strong current gas price environment, delivering a steadily increasing production and revenue stream in the future.

In conclusion, on behalf of the Board, I would like to thank all of our staff for the continued dedication and support they have shown during the year to date and especially in the midst of the COVID-19 pandemic.

Chris Hopkinson
Chairman
15 September 2021

Press Release

Chief Executive Officer's Statement

Introduction

The Group continued to make good progress at its Ukrainian fields during 2021, with development activity at the MEX-GOL and SV fields including success with the drilling of the SV-25 appraisal well, which came on production in February 2021, and completion of drilling operations on the SV-29 development well in late August 2021, which is now undergoing testing operations. In addition, work continued on preparations for the drilling of the SV-31 development well and the upgrade of the gas processing facilities, as well as work on upgrades to the flow-line network and remedial activity on existing wells.

Overall production continued its upward trend during the period, achieving record levels for the Group in Q2 2021, and being approximately 8% higher than in the first half of 2020, with a substantial boost in February 2021, once the SV-25 well came on production.

Production

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields for the six month period ended 30 June 2021 was as follows:

Field	Gas (MMscf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
MEX-GOL & SV	19.7	17.4	694	654	331	292	4,403	3,941
VAS	2.8	3.1	28	34	-	-	514	604
Total	22.5	20.5	722	688	331	292	4,917	4,545

Production rates were higher when compared with the corresponding period in 2020, predominantly due to the contributions of the SV-54 well, which commenced production in May 2020, and the SV-25 well, which commenced production in February 2021.

The Group's average daily production for the period from 1 July 2021 to 14 September 2021 from the MEX-GOL and SV field was 21.0 MMscf/d of gas, 749 bbl/d of condensate and 274 bbl/d of LPG (4,657 boepd in aggregate) and from the VAS field was 2.5 MMscf/d of gas and 23 bbl/d of condensate (480 boepd in aggregate).

Operations

Notwithstanding the impact of the COVID-19 pandemic during 2020 and 2021, over recent periods, there have been relatively stable fiscal and economic conditions in Ukraine, as well as reductions in the subsoil tax rates and improvements in the regulatory procedures in the oil and gas sector in Ukraine, and this has given the Board confidence to continue the Group's development programme at its Ukrainian fields during

Press Release

2021. Furthermore, the strong recovery in gas prices in Europe has fed through to the Group's realised prices in Ukraine, providing a significant boost to the Group's revenues and profitability in the first half of 2021.

The Group has continued to refine its geological subsurface models of the MEX-GOL, SV and VAS fields, in order to enhance its strategy for the further development of the fields, including the timing and level of future capital investment required to exploit the hydrocarbon resources.

At the MEX-GOL and SV fields, the drilling of the SV-25 appraisal well was completed in February 2021, having been drilled to a final depth of 5,320 metres. One interval, at a drilled depth of 5,184 - 5,190 metres, within the V-22 Viséan formation was perforated, and after successful testing, the well was hooked-up to the gas processing facilities.

The Group continues to operate each of the SV-2 and SV-12 wells under joint venture agreements with NJSC Ukrnafta, the majority State-owned oil and gas producer. Under the agreements, the gas and condensate produced from the respective wells is sold under an equal net profit sharing arrangement between the Group and NJSC Ukrnafta, with the Group accounting for the hydrocarbons produced and sold from the wells as revenue, and the net profit share due to NJSC Ukrnafta being treated as a lease expense in cost of sales. Both of these wells have proven to be strong producers since being brought back on production.

At the VAS field, a successful workover of the VAS-10 well was undertaken to access an alternative production horizon, which improved production rates from the VAS field.

In March 2019 (as set out in the announcement made on 12 March 2019), a regulatory issue arose when the State Service of Geology and Subsoil of Ukraine issued an order for suspension (the "Order") of the production licence for the VAS field. Under the applicable legislation, the Order would lead to a shut-down of production operations at the VAS field, but the Group has issued legal proceedings to challenge the Order, and has obtained a ruling suspending operation of the Order pending a hearing of the substantive issues. The Group does not believe that there are any grounds for the Order, and is continuing to pursue its challenge to the Order through the Ukrainian Courts.

Arkona Acquisition

As announced on 24 March 2020, the Group acquired the entire issued share capital of LLC Arkona Gas-Energy ("Arkona") for a total consideration of up to \$8.63 million, of which \$4.32 million was subject to the satisfaction of certain conditions. Following satisfaction of the requisite conditions and by agreement between the parties to the acquisition agreement, further payments totalling \$2.6 million (net of an indemnity liability) have been paid, and the balance of the consideration is subject to the remaining conditions. Arkona holds a 100% interest in the Svystunivsko-Chervonolutskiyi ("SC") exploration licence, which is located in the Poltava region in north-eastern Ukraine. The SC licence covers an area of 97 km², and is approximately 15 km east of the SV field. The licence was granted in May 2017 with a duration of 20 years. The licence is prospective for gas and condensate, and has been the subject of exploration since the 1980s, with 5 wells having been drilled on the licence since then, although none of these wells are currently on production. As with the productive reservoirs in the SV field, the prospective reservoirs in the licence are Viséan, at depths between 4,600 - 6,000 metres.

However, NJSC Ukrnafta, the majority State-owned oil and gas producer, issued legal proceedings against Arkona, in which NJSC Ukrnafta made claims of irregularities in the procedures involved in the grant of the SC licence to Arkona in May 2017. In early July 2020, the First Instance Court in Ukraine made a ruling in favour of NJSC Ukrnafta, which found that the grant of the SC licence was irregular, but this ruling was overturned by the Appellate Administrative Court in September 2020, and a final appeal to the Supreme Court of Ukraine was determined in favour of Arkona in February 2021. Further information can be found in the Company's announcements dated 3 July 2020, 31 July 2020, 30 September 2020, 23 November 2020 and 11 February 2021.

Press Release

During early 2021, the Group engaged independent petroleum consultants, DeGolyer and MacNaughton, to prepare an assessment of the remaining reserves and contingent resources attributable to the SC licence as of 1 January 2021, in accordance with the March 2007 (as revised in June 2018) SPE/WPC/AAPG/SPEE Petroleum Resources Management System standard for classification and reporting. Their assessment estimated the proved and probable (2P) reserves attributable to the SC licence at 12.1 MMboe. The assessment is consistent with the Group's proposed field development plan for the SC licence, which includes the drilling of the SC-4 well and the acquisition of 150 km² of 3D seismic later this year, and the construction of a gas processing plant. Development is then planned to continue with the drilling of a further six wells to recover the reserves and resources in the SC licence. Due to their targeted depths, the wells are each likely to take up to 12 months to complete, and are planned to be drilled consecutively over the next eight years. Further information on DeGolyer and MacNaughton's assessment can be found in the Company's announcement dated 2 June 2021.

Outlook

During the remainder of 2021, the Group will continue to develop the MEX-GOL, SV and VAS fields, as well as moving forward with the appraisal and development of the SC licence. At the MEX-GOL and SV fields, the development programme includes completing the testing of the SV-29 development well and, subject thereto, hooking-up the well to the gas processing facilities, commencing the drilling of the SV-31 development well, investigating workover opportunities for other existing wells, and remedial and upgrade work on existing wells, the flow-line network and pipelines and other infrastructure.

In addition, preparations for upgrade works to the gas processing facilities at the MEX-GOL and SV fields are continuing, with permitting recently completed and the procurement of long-lead items progressing as planned. These works involve an upgrade of the LPG extraction circuit, an increase to the flow capacity of the facilities, and a significant increase to the liquids tank storage capacity, which are designed to improve overall plant efficiencies, improve the quality of liquids produced and boost recoveries of LPG, while reducing environmental emissions. The works are scheduled to commence later in the year, and, in total, will take approximately three and a half months to complete. In the later stages of the works, it will be necessary for the plant to be shut-in for approximately one month, during which period, production through the plant will be suspended. However, in order to mitigate the impact on production during this period, the Group has agreed with the operator of an adjacent field for the toll treatment of a material proportion of its forecast production volumes of gas and condensate. Although there will be a temporary impact on the Group's revenues during the period that the plant is shut-in, it is envisaged that the improved recovery of LPG following completion of the upgrade works will significantly boost future revenues, resulting in no overall material impact on revenues over the six month period during and immediately following the works, and a positive impact in future periods thereafter.

At the VAS field, planning for the proposed new well to explore the VED prospect within the VAS licence area is continuing, and maintenance of the gas processing facilities, pipeline network and other field infrastructure is planned.

With the resolution of the legal issues relating to the SC licence, the Group has re-commenced appraisal and development work on the SC licence, with the SC-4 appraisal well spudded in August 2021, and the acquisition of 150 km² of 3D seismic planned for later this year.

Ongoing legislative reforms and the general stability in the business climate in Ukraine, are encouraging and supportive of the independent oil and gas producers in Ukraine.

Press Release

Finally, I would like to add my thanks to all of our staff for the continued hard work and dedication they have shown during this year, and to especially recognise their continuing efforts and professionalism during the current COVID-19 pandemic.

Sergii Glazunov
Chief Executive Officer

Press Release

Finance Review

The Group's strong financial performance in the first half of 2021 was predominantly due to the Group's higher levels of production and the significant recovery in average gas realisations. This resulted in the Group making a net profit of \$13.8 million (1H 2020: \$1.2 million).

Revenue for the period, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was appreciably up 66% at \$41.1 million (1H 2020: \$24.7 million).

Gross profit for the period nearly tripled, at \$21.6 million (1H 2020: \$7.5 million), and the improvement in profit before tax was even more marked, increasing by a factor of almost seven, to \$18.0 million (1H 2020: \$2.6 million).

Average gas realisations in the period were up 79% at \$249/Mm³ (UAH6,897/Mm³), with condensate and LPG sales also up by 76% and 65% at \$74/bbl and \$66/bbl respectively (1H 2020: \$139/Mm³ (UAH3,514/Mm³), \$42/bbl and \$40/bbl respectively).

During the period from 1 July 2021 to 14 September 2021, the average realised gas, condensate and LPG prices were \$431/Mm³ (UAH11,602/Mm³), \$76/bbl and \$79/bbl respectively.

Since the deregulation of the gas supply market in Ukraine in October 2015, the market price for gas has broadly correlated to the price of imported gas, which generally reflects trends in European gas prices. Gas prices are also subject to seasonal variation. During the first half of 2021, there was a sustained recovery in prices (a function of a more general recovery in European commodity prices, as well as the 2020-21 winter being one of the coldest winters in a decade in Ukraine), and gas prices are continuing to maintain their high levels.

Cost of sales for the period was up 13% at \$19.5 million (1H 2020: \$17.2 million). There were some significant movements within this total: depreciation of property, plant and equipment was 11% lower at \$5.5 million (1H 2020: \$6.2 million) as a combined result of lower forecast future capital expenditure and a greater volume sold in 1H 2021, compared with 1H 2020, with 1H 2020 sales volumes benefiting from 153,722 boe sold from inventory; production taxes increased materially, by 49%, as a result of increased gas revenues, in turn a function of the much higher gas prices as noted above; a 40% increase in rent expense, a function of higher well profitability; and staff costs declined by 26% as a function of the aforementioned reduction in sales volumes (distinct from the increased production volumes) resulting in the unit of production allocation of staff costs being lower than in 1H 2020, which saw a release of such costs that had been held in inventory at year-end 2019.

The subsoil tax rates applicable to gas production were stable during the period at 29% for gas produced from deposits at depths shallower than 5,000 metres and 14% for gas produced from deposits deeper than 5,000 metres, but reductions in the subsoil rates applicable to new wells and to condensate production were applicable, under which (i) for new wells drilled after 1 January 2018, the subsoil tax rates were reduced from 29% to 12% for gas produced from deposits at depths shallower than 5,000 metres and from 14% to 6% for gas produced from deposits deeper than 5,000 metres for the period between 2018 and 2022, and (ii) with effect from 1 January 2019 and applicable to all wells, the subsoil tax rates for condensate were reduced from 45% to 31% for condensate produced from deposits shallower than 5,000 metres and from 21% to 16% for condensate produced from deposits deeper than 5,000 metres.

Administrative expenses for the period were broadly unchanged at \$4.0 million (1H 2020: \$3.9 million).

The 69% fall in Other operating income (net) of \$0.5 million is mainly due to the 70% drop in interest income to \$0.3 million as a result of the general fall in global interest rates.

Press Release

Other expenses (net) in the period reduced significantly by 98%, a net effect of: a small foreign exchange loss in the period of \$0.03 million compared to a profit of \$0.2 million in 2020; and most materially, the diminimis charitable donations in the period compared to the \$2.1 million in 1H 2020 (for the supply of COVID-19-related medical equipment for the Ukrainian authorities and charitable foundations).

The tax charge for the six month period ended 30 June 2021 of \$4.2million (1H 2020: \$1.4 million charge) comprises a current tax charge of \$4.0 million (1H 2020: \$1.4 million charge) and a deferred tax charge of \$0.2 million (1H 2020: \$0.01 million). The current tax charge increased by 200% due to the increase in profit.

A deferred tax asset relating to the Group's provision for decommissioning at 30 June 2021 of \$0.2 million (31 December 2020: \$0.2 million) was recognised on the tax effect of the temporary differences of the Group's provision for decommissioning at the MEX-GOL and SV fields, and its tax base. A deferred tax liability relating to the Group's development and production assets at the MEX-GOL and SV fields at 30 June 2021 of \$3.3 million (31 December 2020: \$2.9 million) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the MEX-GOL and SV fields, and its tax base.

A deferred tax asset relating to the Group's provision for decommissioning at 30 June 2021 of \$0.3 million (31 December 2020: \$0.3 million) was recognised on the tax effect of the temporary differences on the Group's provision on decommissioning at the VAS field, and its tax base. The deferred tax liability relating to the Group's development and production assets at the VAS field at 30 June 2021 of \$0.1 million (31 December 2020: \$0.2 million) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the VAS field, and its tax base.

There were \$10.7 million of additions to Property, Plant and Equipment, reflecting investment in the Group's oil and gas development and production assets during the period (1H 2020: \$8.8 million), primarily relating to the expenditure associated with the drilling of the SV-25 and SV-29 wells.

Cash and cash equivalents held at 30 June 2021 were \$62.9 million (31 December 2020: \$61.0 million cash and cash equivalents). The Group's cash and cash equivalents balance at 14 September 2021 was \$54.4 million, held as to \$16.3 million equivalent in Ukrainian Hryvnia, and the balance of \$38.1 million equivalent predominantly in US Dollars, Euros and Pounds Sterling.

Between early 2014 and 2020, the Ukrainian Hryvnia devalued significantly against the US Dollar, falling from UAH8.3/\$1.00 on 1 January 2014 to UAH28.3/\$1.00 on 31 December 2020, which resulted in substantial foreign exchange translation losses for the Group over that period, and in turn adversely impacted the carrying value of the MEX-GOL and SV 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. In the first half of 2021, the Ukrainian Hryvnia has strengthened against the US Dollar with the exchange rate at 30 June 2021 being UAH27.2/\$1.00. The impact of this was \$3.9 million of foreign exchange gains (1H 2020: \$10.8 million of foreign exchange losses). Further movements of the Ukrainian Hryvnia against the US Dollar may affect the carrying value of the Group's assets in the future.

Cash from operations has funded the capital investment during the period, and the Group's current cash position and positive operating cash flow are the sources from which the Group plans to fund the development programmes for its assets over the remainder of 2021 and beyond. This is coupled with the fact that the Group remains debt-free, and therefore has no debt covenants that may otherwise impede its ability to implement contingency plans if domestic and/or global circumstances dictate. This flexibility and ability to monitor and manage development plans and liquidity is a cornerstone of our planning, and underpins our assessments of the future. With cash resources at the end of the period in excess of \$62 million, and annual running costs of less than \$8 million, the Group remains in a very strong position should any local or global shocks occur to the industry and/or the Group.

Press Release

On 25 February 2021, the Company completed a reduction of its share capital through the cancellation of its entire share premium account. This reduction of capital created distributable reserves of the Company, which enables the Company to make distributions to its shareholders in the future, subject to the Company's financial performance. However, the Company is not indicating any commitment, and does not have any current intention, to make any distributions to shareholders.

Bruce Burrows
Finance Director

Press Release

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 external, operational and technical, financial and corporate 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 risks and, where possible, propose mitigating actions. Key risks recognised and mitigation factors, materially unchanged from the previous period, are detailed below:

Risk	Mitigation
External risks	
<i>Risk relating to Ukraine</i>	
<p>Ukraine is an emerging market and as such, the Group is exposed to greater regulatory, economic and political risks than it would be in other jurisdictions. Emerging economies are generally subject to a volatile political and economic environment, which makes them vulnerable to market downturns elsewhere in the world, and could adversely impact the Group's ability to operate in the market.</p>	<p>The Group minimises this risk by continuously monitoring the market in Ukraine and by maintaining a strong working relationship with the Ukrainian regulatory authorities. The Group also maintains a significant proportion of its cash holdings in international banks outside Ukraine.</p>
<i>Regional conflict</i>	
<p>Ukraine continues to have a strained relationship with Russia, following Ukraine's agreement to join a free trade area with the European Union, which resulted in the implementation of mutual trade restrictions between Russia and Ukraine on many key products. Further, the conflict in parts of eastern Ukraine has not been resolved to date, and Russia continues to occupy Crimea. This conflict has put further pressure on relations between Ukraine and Russia, and the political tensions have had an adverse effect on the Ukrainian financial markets, hampering the ability of Ukrainian companies and banks to obtain funding from the international capital and debt markets. This strained relationship between Russia and Ukraine has also resulted in disputes and interruptions in the supply of gas from Russia.</p>	<p>As 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 Group has not been directly affected by the conflict. However, the Group continues to monitor the situation and endeavours to procure its equipment from sources in other markets. The disputes and interruption to the supply of gas from Russia has indirectly encouraged Ukrainian Government support for the development of the domestic production of hydrocarbons since Ukraine imports a significant proportion of its gas, which has resulted in legislative measures to improve the regulatory requirements for hydrocarbon extraction in Ukraine.</p>
<i>Banking system in Ukraine</i>	
<p>The banking system in Ukraine has been under great strain in recent years due to the weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other economic pressures generally, and so the risks associated with the banks in Ukraine have been significant, including in relation to the banks with which the Group has operated bank accounts. However, following remedial action imposed by the National Bank of Ukraine, Ukraine's banking system has improved moderately. Furthermore, Ukraine has continued to have support and access to funding from the International Monetary Fund.</p>	<p>The creditworthiness and potential risks relating to the banks in Ukraine are regularly reviewed by the Group, but the geopolitical and economic events since 2013 in Ukraine have significantly weakened the Ukrainian banking sector. In light of this, the Group has taken and continues 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, and the Group endeavours to use banks that have the best available creditworthiness. Nevertheless, and despite some recent improvements, 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. As a consequence, the Group</p>

Press Release

	also maintains a significant proportion of its cash holdings in international banks outside Ukraine.
<i>Geopolitical environment in Ukraine</i>	
Although there have been some improvements in recent years, there has not been a final resolution of the political, fiscal and economic situation in Ukraine and its ongoing effects are difficult to predict and likely to continue to affect the Ukrainian economy and potentially the Group's business. Whilst not materially affecting the Group's production operations, the instability has disrupted the Group's development and operational planning for its assets.	The Group continually monitors the market and business environment in Ukraine and endeavours to recognise approaching risks and factors that may affect its business. In addition, the involvement of Smart Holding (Cyprus) Limited, as the indirect majority shareholder with extensive experience in Ukraine, is considered helpful to mitigate such risks.
<i>Climate change</i>	
Any near and medium-term continued warming of the Planet can have potentially increasing negative social, economic and environmental consequences, generally globally and regionally, and specifically in relation to the Group. The potential impacts include: loss of market; and increased costs of operation through increasing regulatory oversight and controls, including potential effective or actual loss of licence to operate. As a diligent operator aware and responsive to its good stewardship responsibilities, the Group not only needs to monitor and modify its business plans and operations to react to changes, but also to ensure its environmental footprint is as minimal as it can practicably be in managing the hydrocarbon resources the Group produces.	The Group's plans and actions include: assessing, reducing and/or mitigating its emissions in its operations; and identifying climate change-related risks and assessing the degree to which they can affect its business, including financial implications. The Group's Health, Safety and Environment Committee, which was established in 2020, is specifically tasked with overseeing measuring, benchmarking and mitigating the Group's environmental and climate impact, which will be reported on in future periods. At this stage, the Group does not consider climate change to have any material implications on the Group's financial statements, including the accounting estimates.
Operational and technical risks	
<i>Quality, Health, Safety and Environment ("QHSE")</i>	
The oil and gas industry, by its nature, conducts activities which can cause health, safety, environmental and security incidents. Serious incidents can not only have a financial impact but can also damage the Group's reputation and the opportunity to undertake further projects. As evidenced by recent events, pandemics also pose a risk to operations, by potential illness and threat to life of employees and contractors, and the associated disruptions in staffing levels, operations and supply chains.	The Group maintains QHSE policies and requires that management, staff and contractors adhere to these policies. The policies ensure that the Group meets Ukrainian legislative standards in full and achieves international standards to the maximum extent possible. As a consequence of the COVID-19 pandemic, including the threat of any resurgences in the scale and impact of the virus, or new viruses, the Group is re-visiting processes and controls intended to ensure protection of all our stakeholders and minimise any disruption to our business. Whilst possible to only a limited extent in field operations, the Group has invested in technology that will allow many staff to work just as effectively from remote locations.
<i>Industry risks</i>	
The Group is exposed 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	The Group has well qualified and experienced technical management staff to plan and supervise operational activities. In addition, the Group engages with suitably qualified local and international geological, geophysical and engineering experts and contractors to supplement and broaden the pool of expertise available to the Group. Detailed planning of development activities is undertaken with the aim of managing the inherent risks associated with oil and gas exploration and production, as well as ensuring that appropriate equipment and

Press Release

<p>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.</p>	<p>personnel are available for the operations, and that local contractors are appropriately supervised.</p>
<p><i>Production of hydrocarbons</i></p>	<p>In 2016, the Group engaged external technical consultants to undertake a comprehensive review and re-evaluation study of the MEX-GOL and SV fields in order to gain an improved understanding of the geological aspects of the fields and reservoir engineering, drilling and completion techniques, and the results of this study and further planned technical work is being used by the Group in the future development of these fields. The Group has established an ongoing relationship with such external technical consultants to ensure that technical management and planning is of a high quality in respect of all development activities on the Group's fields.</p>
<p>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.</p>	
<p><i>Risks relating to further development and operation of the Group's gas and condensate fields in Ukraine</i></p>	<p>The Group's technical management staff, in consultation with its external technical consultants, carefully plan and supervise development and operational activities with the aim of managing the risks associated with the further development of the Group's fields in Ukraine. This includes detailed review and consideration of available subsurface data, utilisation of modern geological software, and utilisation of engineering and completion techniques developed for the fields. With operational activities, the Group ensures that appropriate equipment and personnel is available for the operations, and that operational contractors are appropriately supervised. In addition, the Group performs a review of its oil and gas assets for impairment on an annual basis, and considers whether an assessment of its oil and gas assets by a suitably qualified independent assessor is appropriate or required.</p>
<p>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.</p>	
<p><i>Drilling and workover operations</i></p>	<p>The utilisation of detailed sub-surface analysis, careful well planning and engineering design in designing work programmes, along with appropriate procurement procedures and competent on-site management, aims to minimise these risks.</p>
<p>Due to the depth and nature of the reservoirs in the Group's fields, the technical difficulty of drilling or re-entering wells in the Group's fields is high, and this and the equipment limitations within Ukraine, can result in unsuccessful or lower than expected outcomes for wells.</p>	

Press Release

<p><i>Maintenance of facilities</i></p> <p>There is a risk that production or transportation facilities can fail due to non-adequate maintenance, control or poor performance of the Group's suppliers.</p>	<p>The Group's facilities are operated and maintained at standards above the Ukrainian minimum legal requirements. Operations staff are experienced and receive supplemental training to ensure that facilities are properly operated and maintained. Service providers are rigorously reviewed at the tender stage and are monitored during the contract period.</p>
<p>Financial risks</p>	
<p><i>Exposure to cash flow and liquidity risk</i></p> <p>There is a risk that insufficient funds are available to meet the Group's development obligations to commercialise the Group's oil and gas assets. Since a significant proportion of the future capital requirements of the Group 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.</p>	<p>The Group maintains adequate cash reserves and closely monitors forecasted and actual cash flow, as well as short and longer-term funding requirements. The Group does not currently have any loans outstanding, 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. However, as the risk to future capital funding is inherent in the oil and gas exploration and development industry and reliant in part on future development success, it is difficult for the Group to take any other measures to further mitigate this risk, other than tailoring its development activities to its available capital funding from time to time.</p>
<p><i>Ensuring appropriate business practices</i></p> <p>The Group operates in Ukraine, an emerging market, where certain inappropriate business practices may, from time to time occur, such as corrupt business practices, bribery, appropriation of property and fraud, all of which can lead to financial loss.</p>	<p>The Group maintains anti-bribery and corruption policies in relation to all aspects of its business, and ensures that clear authority levels and robust approval processes are in place, with stringent controls over cash management and the tendering and procurement processes. In addition, office and site protection is maintained to protect the Group's assets.</p>
<p><i>Hydrocarbon price risk</i></p> <p>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. The overall economics of the Group's key assets (being the net present value of the future cash flows from its Ukrainian projects) 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 projects, income from production revenues is offset by capital investment.</p>	<p>The Group sells a proportion of its hydrocarbon production through offtake arrangements, which include pricing formulae so as to ensure that it achieves market prices for its products, as well as utilising the electronic market platforms in Ukraine to achieve market prices for its remaining products. However, hydrocarbon prices in Ukraine are implicitly linked to world hydrocarbon prices and so the Group is subject to external price trends.</p>

Press Release

<p><i>Currency risk</i></p> <p>Since the beginning of 2014, the Ukrainian Hryvnia significantly devalued against major world currencies, including the US Dollar, where it has fallen from UAH8.3/\$1.00 on 1 January 2014 to UAH27.2/\$1.00 on 30 June 2021. This devaluation has been a significant contributor to the imposition of the banking restrictions by the National Bank of Ukraine over recent years. In addition, the geopolitical events in Ukraine over recent years, are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. Further devaluation, and volatility, of the Ukrainian Hryvnia against the US Dollar will affect the carrying value of the Group's assets.</p>	<p>The Group's sales proceeds are received in Ukrainian Hryvnia, and the majority of the capital expenditure costs for the current investment programme will be incurred in Ukrainian Hryvnia, thus the currency of revenue and costs are largely matched. In light of the previous devaluation and volatility of the Ukrainian Hryvnia against major world currencies, and since the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies, the Group has adopted a policy that, where possible, funds not required for use in Ukraine be retained on deposit in the United Kingdom and Europe, principally in US Dollars.</p>
<p><i>Counterparty and credit risk</i></p> <p>The challenging political and economic environment in Ukraine means that businesses can be subject to significant financial strain, which can mean that the Group is exposed to increased counterparty risk if counterparties fail or default in their contractual obligations to the Group, including in relation to the sale of its hydrocarbon production, resulting in financial loss to the Group.</p>	<p>The Group monitors the financial position and credit quality of its contractual counterparties and seeks to manage the risk associated with counterparties by contracting with creditworthy contractors and customers. Hydrocarbon production is sold on terms that limit supply credit and/or title transfer until payment is received.</p>
<p><i>Financial markets and economic outlook</i></p> <p>The performance of the Group is 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 in recent periods, with the global economy having experienced a long period of difficulties, and more particularly the events that have occurred in Ukraine over recent years. This has led to extreme foreign exchange movements in the Ukrainian Hryvnia, high inflation and interest rates, and increased credit risk relating to the Group's key counterparties.</p>	<p>The Group's sales proceeds are received in Ukrainian Hryvnia and a significant proportion of investment expenditure is made in Ukrainian Hryvnia, which minimises risks related to foreign exchange volatility. However, hydrocarbon prices in Ukraine are implicitly linked to world hydrocarbon prices and so the Group is subject to external price movements. The Group holds a significant proportion of its cash reserves in the United Kingdom and Europe, mostly in US Dollars, with reputable financial institutions. The financial status of counterparties is carefully monitored to manage counterparty risks. Nevertheless, the risks that the Group faces as a result of these risks cannot be predicted and many of these are outside of the Group's control.</p>
<p>Corporate risks</p>	
<p><i>Ukraine production licences</i></p>	
<p>The Group operates in a region where the right to production can be challenged by State and non-State parties. In 2010, this manifested itself in the form of a Ministry Order instructing the Group to suspend all operations and production from its MEX-GOL and SV production licences, which was not resolved until mid-2011. In 2013, new rules relating to the updating of production licences led to further challenges being raised by the Ukrainian authorities to the production licences held by independent oil and gas producers in Ukraine, including the Group, which may result in requirements for remediation work, financial penalties and/or the suspension of such licences, which, in turn,</p>	<p>The Group ensures compliance with commitments and regulations relating to its production licences through 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. Work programmes are designed to ensure that all licence obligations are met and continual interaction with Government bodies is maintained in relation to licence obligations and commitments.</p>

Press Release

<p>may adversely affect the Group's operations and financial position. In March 2019, a Ministry Order was issued instructing the Group to suspend all operations and production from its VAS production licence. The Group is challenging this Order through legal proceedings, during which production from the licence is continuing, but this matter remains unresolved. In 2020, LLC Arkona Gas-Energy ("Arkona") faced a challenge from NJSC Ukrnafta concerning the validity of its SC exploration licence, which was ultimately resolved in Arkona's favour by a decision of the Supreme Court of Ukraine in February 2021. All such challenges affecting the Group have thus far been successfully defended through the Ukrainian legal system. However, the business environment is such that these types of challenges may arise at any time in relation to the Group's operations, licence history, compliance with licence commitments and/or local regulations. In addition, these licences carry ongoing compliance obligations, which if not met, may lead to the loss of a licence.</p>	
<p><i>Risks relating to key personnel</i></p>	
<p>The Group's success depends upon skilled management as well as technical expertise and administrative staff. The loss of service of critical members from the Group's team could have an adverse effect on the business.</p>	<p>The Group periodically reviews the compensation and contractual terms of its staff. In addition, the Group has developed relationships with a number of technical and other professional experts and advisers, who are used to provide specialist services as required.</p>

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

- a) the unaudited condensed interim consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") and the AIM Rules for Companies; and
- b) these unaudited interim results include:
 - (i) a fair review of the information required (i.e. an indication of important events and their impact and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
 - (ii) a fair review of the information required on related party transactions.

A list of current Directors is maintained on the Group's website, www.enwell-energy.com.

Condensed Interim Consolidated Income Statement

	Note	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Revenue	3	41,050	24,708
Cost of sales	4	(19,452)	(17,203)
Gross profit		21,598	7,505
Administrative expenses		(3,953)	(3,852)
Other operating income, (net)	5	469	1,500
Operating profit		18,114	5,153
Net impairment losses on financial assets		(19)	(29)
Other expenses, (net)	6	(39)	(1,925)
Finance income		87	-
Finance costs		(197)	(604)
Profit before taxation		17,946	2,595
Income tax expense	7	(4,157)	(1,366)
Profit for the period		13,789	1,229
Earnings per share (cents)			
Basic and diluted	8	4.3c	0.4c

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

Condensed Interim Consolidated Statement of Comprehensive Income

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Profit for the period	13,789	1,229
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Equity - foreign currency translation	3,927	(10,841)
Total other comprehensive income/(loss)	3,927	(10,841)
Total comprehensive income/(loss) for the period	17,716	(9,612)

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

Condensed Interim Consolidated Balance Sheet

	Note	30 Jun 21 (unaudited) \$000	31 Dec 20 (audited) \$000
Assets			
Non-current assets			
Property, plant and equipment	10	73,501	65,662
Intangible assets	11	12,698	12,232
Right-of-use assets		1,143	512
Corporation tax receivable		-	9
Deferred tax asset	7	270	167
		87,612	78,582
Current assets			
Inventories		1,700	1,541
Trade and other receivables	12	12,740	4,847
Cash and cash equivalents	15	62,857	60,993
		77,297	67,381
Total assets		164,909	145,963
Liabilities			
Current liabilities			
Trade and other payables		(7,264)	(6,641)
Lease liabilities		(447)	(245)
Corporation tax payable		(2,242)	(1,062)
		(9,953)	(7,948)
Net current assets		67,344	59,433
Non-current liabilities			
Provision for decommissioning	13	(7,111)	(6,819)
Lease liabilities		(755)	(371)
Defined benefit liability		(545)	(530)
Deferred tax liability	7	(3,100)	(2,705)
Other non-current liabilities	14	(114)	(1,975)
		(11,625)	(12,400)
Total liabilities		(21,578)	(20,348)
Net assets		143,331	125,615
Equity			
Called up share capital		28,115	28,115
Share premium account	9	-	555,090
Foreign exchange reserve		(101,295)	(105,222)
Other reserves		4,273	4,273
Retained earnings/(accumulated losses)	9	212,238	(356,641)
Total equity		143,331	125,615

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

Condensed Interim Consolidated Statement of Changes in Equity

	Called up share capital \$000	Share premium account \$000	Merger reserve \$000	Capital contributions reserve \$000	Foreign exchange reserve* \$000	Retained earnings/ (accumulated losses) \$000	Total equity \$000
As at 1 January 2021 (audited)	28,115	555,090	(3,204)	7,477	(105,222)	(356,641)	125,615
Profit for the period	-	-	-	-	-	13,789	13,789
Other comprehensive income							
- exchange differences	-	-	-	-	3,927	-	3,927
Total comprehensive income	-	-	-	-	3,927	13,789	17,716
Transactions with owners in their capacity as owners:							
Cancellation of share premium account	-	(555,090)	-	-	-	555,090	-
As at 30 June 2021 (unaudited)	28,115	-	(3,204)	7,477	(101,295)	212,238	143,331

	Called up share capital \$000	Share premium account \$000	Merger reserve \$000	Capital contributions reserve \$000	Foreign exchange reserve* \$000	Accumulated losses \$000	Total equity \$000
As at 1 January 2020 (audited)	28,115	555,090	(3,204)	7,477	(90,172)	(359,756)	137,550
Profit for the period	-	-	-	-	-	1,229	1,229
Other comprehensive income							
- exchange differences	-	-	-	-	(10,841)	-	(10,841)
Total comprehensive income	-	-	-	-	(10,841)	1,229	(9,612)
As at 30 June 2020 (unaudited)	28,115	555,090	(3,204)	7,477	(101,013)	(358,527)	127,938

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

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

Condensed Interim Consolidated Statement of Cash Flows

	Note	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Operating activities			
Cash generated from operations	16	19,148	11,030
Charitable donations		(23)	(2,057)
Equipment rental income		15	17
Income tax paid		(2,897)	(2,856)
Interest received		261	1,066
Net cash inflow from operating activities		16,504	7,200
Investing activities			
Purchase of property, plant and equipment		(13,092)	(8,096)
Purchase of intangible assets		(2,233)	(4,428)
Proceeds from return of prepayments for shares		250	-
Proceeds from sale of property, plant and equipment		9	1
Net cash outflow from investing activities		(15,066)	(12,523)
Financing activities			
Principal elements of lease payments		(330)	(282)
Net cash outflow from financing activities		(330)	(282)
Net increase in cash and cash equivalents		1,108	(5,605)
Cash and cash equivalents at beginning of the period	15	60,993	62,474
Effect of foreign exchange rate changes		756	(2,641)
Cash and cash equivalents at end of the period	15	62,857	54,228

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

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. General Information and Operational Environment

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

Enwell Energy plc is a public limited company incorporated in England and Wales under the Companies Act 2006, whose shares are quoted on the AIM Market of London Stock Exchange plc. The Company’s registered office is at 16 Old Queen Street, London SW1H 9HP, United Kingdom and its registered number is 4462555.

As at 30 June 2021, the Company’s majority shareholder, with 82.65% of the issued share capital, and immediate parent company was Smart Energy (CY) Ltd (formerly named Pelidona Services Ltd), which is 100% owned by Smart Holding (Cyprus) Ltd (formerly named Lovitia Investments Ltd), which is 100% owned by Mr Vadym Novynskyi. Accordingly, the Company is ultimately controlled by Mr Vadym Novynskyi.

The Group’s gas, condensate and LPG extraction and production facilities are located in Ukraine. The ongoing political and economic instability in Ukraine, which commenced in late 2013, has led to a deterioration of Ukrainian State finances, volatility of financial markets, illiquidity in capital markets, higher inflation and a depreciation of the national currency against major foreign currencies, although there have been some gradual improvements lately.

In recent years, the Ukrainian economy demonstrated growth amid overall macroeconomic stabilisation supported by structural reforms, a rise in domestic investment, revival in household consumption, increase in industrial production, construction activity and improved environment on external markets.

During 2021, the Ukrainian economy has experienced moderate growth in industrial output, leveling the consequences of the COVID-19 outbreak, which started in March 2020. The National Bank of Ukraine (“NBU”) follows an interest rate policy consistent with inflation targets and keeps the Ukrainian Hryvnia floating. The annualised inflation rate in Ukraine was 9.5% in the first half of 2021 (compared with 2.0% in the first half of 2020 and 5.0% over the 2020 year), with the NBU increasing the key policy rate from 6.0% effective 12 June 2020 to 7.5% effective 18 June 2021, adhering to its inflation targeting policy.

As at the date of this report, the official NBU exchange rate of the Ukrainian Hryvnia against the US Dollar was UAH26.64/\$1.00, compared with UAH27.18/\$1.00 as at 30 June 2021 and UAH28.27/\$1.00 as at 31 December 2020. In 2019, the NBU cancelled some of the currency control restrictions, such as the required share of foreign currency proceeds subject to mandatory sale and the amount of dividend payments allowed to non-residents, which were implemented in 2014 - 2015.

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

Going concern

As a consequence of the COVID-19 pandemic, the Group has implemented processes and controls intended to ensure protection of all its stakeholders and minimise any disruption to its business. The Group is closely monitoring the current volatility in global financial markets, and the implications on the operational, economic and social environment within which the Group works caused by the COVID-19 pandemic. To date, there has been no significant operational disruption arising from the COVID-19 pandemic, and no material impact is currently envisaged on the Group’s prospects. However, the Board and management remain acutely aware of the risks, and continue to take action to mitigate them where possible, not only to protect the Group’s staff and stakeholders but also to minimise disruption to the Group’s business. The Group continues to reassess its medium-term forecasts based on current pricing and is highly confident that it has the resources to continue to deliver on its plans. It is not possible to forecast the duration of the pandemic’s impact but the Group will remain focussed on monitoring and protecting its business throughout the period of uncertainty.

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 these unaudited condensed interim consolidated financial statements. Accordingly, the going concern basis has been adopted in preparing these unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021.

2. Accounting Judgements and Estimates

Basis of preparation

These unaudited condensed interim consolidated financial statements for the six month period ended 30 June 2021 have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") and the AIM Rules for Companies. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

These unaudited 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 2020 were approved by the Board of Directors on 30 March 2021 and subsequently filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain any statement under section 498 of the Companies Act 2006.

The unaudited condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In the year to 31 December 2021, the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board, and this change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the European Union on 31 January 2020 and the cessation of the transition period on 31 December 2020.

This change does not constitute a change in accounting policy but rather a change in the framework which is required to ground the use of IFRS in company law.

There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The accounting policies and methods of computation and presentation used are consistent with those used in the Group's Annual Report and Financial Statements for the year ended 31 December 2020, with the exception of the following new or revised standards and interpretations:

New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretations became effective for the Group on 1 January 2021 or after (these standards, amendments to standards and interpretations did not have a material impact on this unaudited interim condensed consolidated financial information):

- IFRS 17 'Insurance Contracts' (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- Interest rate benchmark (IBOR) reform - phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021);

There are no other amended standards which the Group considers to have a material impact on these financial statements:

Significant accounting judgements and estimates

The preparation of the unaudited 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.

In preparing these unaudited 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 consistent with those that applied to the consolidated financial statements for the year ended 31 December 2020 with certain updates described below.

Estimates

Recoverability of Development and Production Assets in Ukraine

According to the Group's accounting policies, costs capitalised as assets are assessed for impairment at each balance sheet date if impairment indicators exist. In assessing whether an impairment loss has occurred, the carrying value of the asset or cash-generating unit ("CGU") is compared to its recoverable amount. The recoverable amount is the greater of fair value less costs to dispose and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the respective impairment loss is recognised as an expense immediately. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversals are recognised as income immediately.

MEX-GOL, SV, SC and VAS gas and condensate fields

As at 30 June 2021, no impairment indicators were identified by the Group, and therefore no impairment test was performed for the MEX-GOL, SV, SC and VAS gas and condensate fields.

Depreciation of Development and Production Assets

Development and production assets held in property, plant and equipment are depreciated on a unit of production basis at a rate calculated by reference to proven and probable reserves at the end of the period plus the production in the period, and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions about the number of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs, together with assumptions on oil and gas realisations, and are revised annually. The reserves estimates used are determined using estimates of gas in place, recovery factors, future hydrocarbon prices and also take into consideration the Group's latest development plan for the associated development and production asset.

Provision for Decommissioning

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

A detailed assessment of gross decommissioning cost was undertaken on a well-by-well basis using local data on day rates and equipment costs. The discount rate applied on the decommissioning cost provision at 30 June 2021 was 4.13% (31 December 2020: 3.70%). The discount rate is calculated in real terms based on the yield to maturity of Ukrainian Government bonds denominated in the currency in which the liability is expected to be settled and with the settlement date that approximates the timing of settlement of decommissioning obligations.

The change in estimate applied to calculate the provision as at 30 June 2021 resulted from the revision of the estimated costs of decommissioning (increase of \$218,000 in provision) and the increase in the discount rate applied (decrease of \$452,000 in provision). The increase in discount rate at 30 June 2021 resulted from the increase in Ukrainian Eurobonds yield and the respective increase of country risk premium. The costs are expected to be incurred by 2038 on the MEX-GOL field, by 2042 on the SV field, and by 2028 on the VAS field, which is the end of the estimated economic life of the respective fields.

3. Segmental Information

In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, 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 profit before depreciation and amortisation.

6 months ended 30 June 2021 (unaudited)

	Ukraine \$000	United Kingdom \$000	Total \$000
Revenue			
Gas sales	28,514	-	28,514
Condensate sales	9,760	-	9,760
Liquefied Petroleum Gas sales	2,776	-	2,776
Total revenue	41,050	-	41,050
Segment result	25,641	(1,547)	24,094
Depreciation and amortisation	(5,980)	-	(5,980)
Operating profit			18,114
Segment assets	127,927	36,982	164,909
Capital additions*	11,035	-	11,035

6 months ended 30 June 2020 (unaudited)

	Ukraine \$000	United Kingdom \$000	Total \$000
Revenue			
Gas sales	17,974	-	17,974
Condensate sales	5,232	-	5,232
Liquefied Petroleum Gas sales	1,502	-	1,502
Total revenue	24,708	-	24,708
Segment result	11,109	827	11,936
Depreciation and amortisation	(6,783)	-	(6,783)
Operating profit			5,153
Segment assets	106,494	38,037	144,531
Capital additions*	17,102	-	17,102

*Comprises additions to property, plant and equipment and intangible assets (Notes 10 and 11).

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.

4. Cost of Sales

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Production taxes	7,273	4,875
Depreciation of property, plant and equipment	5,529	6,176
Rent expenses	2,964	2,121
Staff costs	1,368	1,837
Cost of inventories recognised as an expense	910	624
Transmission tariff for Ukrainian gas system	436	421
Amortisation of mineral reserves	236	253
Other expenses	736	896
	19,452	17,203

5. Other operating income/(expenses), (net)

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Interest income on cash and cash equivalents	312	1,023
Reversal of accruals	167	263
Contractor penalties applied	-	15
Other operating (losses)/income, net	(10)	199
	469	1,500

6. Other income/(expenses), (net)

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Net foreign exchange (losses)/gains	(26)	194
Charitable donations	(23)	(2,057)
Other income/(expenses), (net)	10	(62)
	(39)	(1,925)

7. Taxation

The income tax charge of \$4,157,000 for the six month period ended 30 June 2021 relates to a current tax charge of \$4,003,000 and a deferred tax charge of \$154,000 (1H 2020: current tax charge of \$1,356,000 and deferred tax charge of \$10,000).

The movement in the period was as follows:

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Deferred tax (liability)/asset recognised relating to development and production assets at MEX-GOL-SV fields and provision for decommissioning		
At beginning of the period	(2,705)	(2,141)
Charged to Income Statement - current period	(249)	(170)
Effect of exchange difference	(146)	115
At end of the period	(3,100)	(2,196)
Deferred tax asset/(liability) recognised relating to development and production assets at VAS field and provision for decommissioning		
At beginning of the period	167	(147)
Credited to Income Statement - current period	95	160
Effect of exchange difference	8	12
At end of the period	270	25

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss. The effective tax rate for the six month period ended 30 June 2021 was 23% (1H 2020: 53%).

The deferred tax asset relating to the Group's provision for decommissioning at 30 June 2021 of \$248,000 (31 December 2020: \$170,000) was recognised on the tax effect of the temporary differences of the Group's provision for decommissioning at the MEX-GOL and SV fields, and its tax base. The deferred tax liability relating to the Group's development and production assets at the MEX-GOL and SV fields at 30 June 2021 of \$3,348,000 (31 December 2020: \$2,875,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the MEX-GOL and SV fields, and its tax base.

The deferred tax asset relating to the Group's provision for decommissioning at 30 June 2021 of \$342,000 (31 December 2020: \$323,000) was recognised on the tax effect of the temporary differences on the Group's provision on decommissioning at the VAS field, and its tax base. The deferred tax liability relating to the Group's development and production assets at the VAS field at 30 June 2021 of \$72,000 (31 December 2020: \$156,000) was recognised on the tax effect of the temporary differences between the carrying value of the Group's development and production asset at the VAS field, and its tax base.

8. Earnings per Share

The calculation of basic and diluted earnings per ordinary share has been based on the profit for the six month period ended 30 June 2021 and 30 June 2020 and 320,637,836 ordinary shares, being the average number of shares in issue for the period. There are no dilutive instruments.

9. Reduction of Capital

On 25 February 2021, the Company completed a reduction of its share capital through the cancellation of its entire share premium account, thereby creating distributable reserves, which enables the Company to make distributions to its shareholders in the future, subject to the Company's financial performance. However, the Company is not indicating any commitment, and does not have any current intention, to make any distributions to shareholders.



10. Property, Plant and Equipment

	6 months ended 30 Jun 21 (unaudited)				6 months ended 30 Jun 20 (unaudited)			
	Oil and gas development and production assets Ukraine \$000	Oil and gas exploration and evaluation assets \$000	Other fixed assets \$000	Total \$000	Oil and gas development and production assets Ukraine \$000	Oil and gas exploration and evaluation assets \$000	Other fixed assets \$000	Total \$000
Cost								
At beginning of the period	135,966	2,362	2,217	140,545	143,127	2,571	2,103	147,801
Additions	10,604	80	55	10,739	8,199	172	386	8,757
Change in decommissioning provision	(107)	-	-	(107)	(903)	-	-	(903)
Disposals	(36)	-	(70)	(106)	(117)	-	(2)	(119)
Exchange differences	5,850	97	75	6,022	(16,216)	(279)	(375)	(16,870)
At end of the period	152,277	2,539	2,277	157,093	134,090	2,464	2,112	138,666
Accumulated depreciation and impairment								
At beginning of the period	73,816	-	1,067	74,883	76,802	-	947	77,749
Charge for the period	5,447	-	158	5,605	5,268	-	201	5,469
Disposals	(7)	-	(9)	(16)	(31)	-	(2)	(33)
Exchange differences	3,072	-	48	3,120	(8,590)	-	(183)	(8,773)
At end of the period	82,328	-	1,264	83,592	73,449	-	963	74,412
Net book value at the beginning of the period	62,150	2,362	1,150	65,662	66,325	2,571	1,156	70,052
Net book value at end of the period	69,949	2,539	1,013	73,501	60,641	2,464	1,149	64,254

Press Release

At 30 June 2021, the Group performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment. Based on the analysis performed, the Group concluded that no external or internal impairment indicators existed as at 30 June 2021, and accordingly no impairment testing was required as at that date.

11. Intangible Assets

	6 months ended 30 Jun 21 (unaudited)				6 months ended 30 Jun 20 (unaudited)			
	Mineral reserve rights \$000	Exploration and evaluation intangible assets \$000	Other intangible assets \$000	Total \$000	Mineral reserve rights \$000	Exploration and evaluation intangible assets \$000	Other intangible assets \$000	Total \$000
Cost								
At beginning of the period	6,570	8,286	616	15,472	7,843	-	572	8,415
Additions	-	63	233	296	-	8,331	101	8,432
Disposals	-	-	(137)	(137)	-	-	(53)	(53)
Exchange differences	265	335	26	626	(884)	16	(52)	(920)
At end of the period	6,835	8,684	738	16,257	6,959	8,347	568	15,874
Accumulated amortisation and impairment								
At beginning of the period	2,855	-	385	3,240	2,851	-	367	3,218
Amortisation charge for the period	236	-	105	341	253	-	78	331
Disposals	-	-	(136)	(136)	-	-	(53)	(53)
Exchange differences	99	-	15	114	(274)	-	(28)	(302)
At end of the period	3,190	-	369	3,559	2,830	-	364	3,194
Net book value at beginning of the period	3,715	8,286	231	12,232	4,992	-	205	5,197
Net book value at end of the period	3,645	8,684	369	12,698	4,129	8,347	204	12,680

Intangible assets consist mainly of the hydrocarbon production licence relating to the VAS gas and condensate field which is held by one of the Group's subsidiaries, LLC Prom-Enerho Produkt, and a recently acquired hydrocarbon exploration licence named Svystunivsko-Chervonolutski ("SC"), which is held by LLC Arkona Gas-Energy. The Group amortises the hydrocarbon production licence relating to the VAS gas and condensate field using the straight-line method over the term of the economic life of the VAS field until 2028. The SC hydrocarbon exploration licence is not amortised due to it being at an exploration and evaluation stage.

Press Release

As at 30 June 2021, the Group performed an assessment of external and internal indicators to ascertain whether there was any indication of potential impairment of intangible assets. Based on the analysis performed, the Group concluded that no external or internal impairment indicators existed as at 30 June 2021, and accordingly no impairment testing was required as at that date.

12. Trade and Other Receivables

	30 Jun 21 (unaudited) \$000	31 Dec 20 (audited) \$000
Trade receivables	7,869	1,936
Other financial receivables	547	1,053
Less credit loss allowance	(143)	(133)
Total financial receivables	8,273	2,856
Prepayments and accrued income	3,934	1,387
Other receivables	533	604
Total trade and other receivables	12,740	4,847

Due to the short-term nature of the current trade and other financial receivables, their carrying amount is assumed to be the same as their fair value. All trade and other financial receivables, except those provided for, are considered to be of high credit quality.

The majority of the trade receivables are from a related party, LLC Smart Energy, that purchases all of the Group's gas production. The applicable payment terms, which were revised in the period, are payment for one third of the monthly volume of gas by the 15th of the month following the month of delivery, and payment of the remaining balance by the end of that month (1H 2020: payment for one third of the estimated monthly volume of gas by the 20th of the month of delivery, and payment of the remaining balance by the 10th of the month following the month of delivery). The trade receivables were paid in full after the end of the period.

Prepayments and accrued income mainly consist of prepayments of \$1,019,000 relating to the development of the SV field and \$1,144,000 relating to the development of the MEX-GOL field (31 December 2020: \$926,000 relating to the development of the SV field).

13. Provision for Decommissioning

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
At beginning of the period	6,819	7,447
Amounts provided	127	-
Unwinding of discount	122	94
Change in estimate	(234)	(903)
Effect of exchange difference	277	(789)
At end of the period	7,111	5,849

The provision for decommissioning is based on the net present value of the Group's estimated liability for the removal of the Ukrainian production facilities and well site restoration at the end of production life.

Press Release

The non-current provision of \$7,111,000 (31 December 2020: \$6,819,000) represents a provision for the decommissioning of the Group's MEX-GOL, SV and VAS production facilities, including site restoration. None of the provision was utilised during the reporting period.

As described in Note 2, the change in estimates applied to calculate the provision as at 30 June 2021 resulted from the revision of the estimated costs of decommissioning (increase of \$218,000 in provision) and the increase in the discount rate applied (decrease of \$452,000 in provision).

14. Other non-current liabilities

Other non-current liabilities as at 30 June 2021, consist of the long-term obligations for the Ukrainian State special purpose fund of \$114,000 measured at amortised cost using an interest rate of 20% (as at 31 December 2020: the long-term portion of the deferred consideration for the acquisition of LLC Arkona Gas-Energy of \$1,851,861 and the long-term obligations for the Ukrainian State special purpose fund of \$124,000). This long-term portion of the deferred consideration for the acquisition of LLC Arkona Gas-Energy of \$1,851,861 was transferred, as current, to trade and other payables as at 30 June 2021. The final payments relating to the acquisition of LLC Arkona Gas-Energy are due to be paid in March 2022, subject to such payments becoming payable in accordance with the terms and conditions of the acquisition agreement.

15. Financial Instruments

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

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

	30 Jun 21 (unaudited) \$000	31 Dec 20 (audited) \$000
Financial assets		
Cash and cash equivalents	62,857	60,993
Trade and other receivables	8,273	2,856
	71,130	63,849
Financial Liabilities		
Lease liabilities	1,202	616
Trade payables	1,303	843
Other financial liabilities	1,966	4,336
	4,471	5,795

Press Release

At 30 June 2021, the Group held cash and cash equivalents in the following currencies:

	30 Jun 21 (unaudited) \$000	31 Dec 20 (audited) \$000
US Dollars	36,145	40,187
Ukrainian Hryvnia	26,453	20,569
British Pounds	252	232
Euros	7	5
	62,857	60,993

All of the cash and cash equivalents held in Ukrainian Hryvnia are held in banks within Ukraine, and all other cash and cash equivalents are held in banks within Europe, Ukraine and the United Kingdom.

16. Reconciliation of Operating Profit to Operating Cash Flow

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Operating profit	18,114	5,153
Depreciation and amortisation	6,164	6,783
Less interest income recorded within operating profit	(312)	(1,023)
Fines and penalties received	(1)	(1)
Loss from write off of non-current assets	90	81
Gain on sales of current assets, net	(12)	(5)
Decrease in provisions	(4)	(175)
(Increase)/decrease in inventory	(93)	2,106
Increase in receivables	(5,426)	(1,032)
Increase/(decrease) in payables	628	(857)
Cash generated from operations	19,148	11,030

Press Release

17. Contingencies and Commitments

Amounts related to works contracted but not yet undertaken in relation to the Group's 2021 investment programme at the MEX-GOL, SV and VAS gas and condensate fields in Ukraine, but not recorded in the unaudited condensed interim consolidated financial statements at 30 June 2021, were \$3,283,000 (31 December 2020: \$9,052,165).

Since 2010, the Group has been in dispute with the Ukrainian tax authorities in respect of VAT receivables on imported leased equipment, with a disputed liability of up to UAH8,487,000 (\$324,000) 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 Group had been successful in three court cases in respect of this dispute in courts of different levels. On 20 September 2016, a hearing was held in the Supreme Court of Ukraine of an appeal of the Ukrainian tax authorities against the decision of the Higher Administrative Court of Ukraine, in which the appeal of the Ukrainian tax authorities was upheld. As a result of this appeal decision, all decisions of the lower courts were cancelled, and the case was remitted to the first instance court for a new trial. On 1 December 2016 and 7 March 2017, the Group received positive decisions in the first and second instance courts, but further legal proceedings may arise. Since the Group had been successful in previous court cases in respect of this dispute in courts of different levels, the date of the next legal proceedings has not been set and as the management believes that adequate defences exist to the claim, no liability has been recognised in these unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 (31 December 2020: nil).

On 12 March 2019, the Group announced the publication of an Order for suspension (the "Order") by the State Service of Geology and Subsoil of Ukraine affecting the production licence for its VAS gas and condensate field. The Group is confident there are no violations of the terms of the licence or in relation to the operational activities of the Group that would justify the Order or the suspension of the licence. The Group has issued legal proceedings in the Ukrainian Courts to challenge the validity of the Order, and in these proceedings, on 18 March 2019 the Court made a ruling on interim measures to suspend the Order pending hearings of the substantive issues of the case to be held subsequently. The effect of this ruling is that the suspension of operational activities at the VAS licence is deferred until the result of the legal proceedings is determined. These legal proceedings are continuing through the Ukrainian Court system and the ultimate outcome is not yet known. However, the Group considers that the Order is groundless and that the outcome of the legal proceedings challenging the Order will ultimately be in favour of the Group, and consequently, the Group does not expect any negative effect on its operations in respect of this matter.

18. Related Party Disclosures

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 2021 was \$617,000 (six month period ended 30 June 2020: \$532,000, and year ended 31 December 2020: \$1,026,000).

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 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Sale of goods/services	28,417	17,752
Purchase of goods/services	585	461
Amounts owed by related parties	7,732	1,490
Amounts owed to related parties	825	347

Press Release

All related party transactions were with subsidiaries of the ultimate Parent Company, and primarily relate to the sale of gas to LLC Smart Energy, the rental of office facilities and vehicles and the sale of equipment. The amounts outstanding were unsecured and have been or will be settled in cash.

As of 30 June 2021, the Company's immediate parent company was Smart Energy (CY) Ltd (formerly named Pelidona Services Ltd), which is 100% owned by Smart Holding (Cyprus) Ltd (formerly named Lovitia Investments Ltd), which is 100% owned by Mr Vadym Novynskyi. Accordingly, the Company was ultimately controlled by Mr Vadym Novynskyi.

Until April 2021, the Group operated bank accounts in Ukraine with a related party bank, Unex Bank, which was ultimately controlled by Mr Vadym Novynskyi. There were the following transactions and balances with Unex Bank during the reporting period:

	6 months ended 30 Jun 21 (unaudited) \$000	6 months ended 30 Jun 20 (unaudited) \$000
Bank charges	1	1
Closing cash balance	-	13

As at 30 June 2021, Unex Bank is not considered to be a related party of the Group, following the completion of the sale by Mr Vadym Novynskyi of the entire issued share capital of Unex Bank to an unrelated third party.

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

19. Events occurring after the Reporting Period

The Group's first well at the SC licence, SC-4, was spudded in August 2021.

In September 2021, the Group made an early payment of 25% of the third tranche of the consideration for the acquisition of LLC Arkona Gas-Energy, totalling \$539,375.