30 September 2022

ENWELL ENERGY PLC

2022 INTERIM RESULTS

Enwell Energy plc ("Enwell Energy" or the "Company", together 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 2022.

Highlights

Operational

- Aggregate average daily production of 3,026 boepd (calculated on the days when the Group's fields were actually in production) (1H 2021: 4,917 boepd)

- SV-31 development well successfully completed and brought on production in May 2022

Financial

- Revenue of $77.2 million (1H 2021: $41.1 million), up 88% as a result of significantly higher gas prices offset by lower production volumes

- Gross profit of $51.5 million (1H 2021: $21.6 million), up 138%

- Operating profit of $48.9 million (1H 2021: $18.1 million), up 170%

- Cash generated from operations of $12.5 million (1H 2021: $19.2 million), down 35%

- Net profit of $32.4 million (1H 2021: $13.8 million), up 135%

- Cash, cash equivalents of $77.4 million as at 30 June 2022, and of $76.2 million as at 28 September 2022 (31 December 2021: $92.5 million)

- Average realised gas, condensate and LPG prices in Ukraine were much higher, particularly gas prices, at $1,165/Mm^3 (UAH33,524/Mm^3), $103/bbl and $165/bbl respectively (1H 2021: $249/Mm^3 (UAH6,897/Mm^3) gas, $74/bbl condensate and $66/bbl LPG)

Outlook

- The Russian invasion of Ukraine in February 2022 has had a significant impact on all aspects of life in Ukraine, including the Group's business and operations, with all field operations being suspended from 24 February to 15 March 2022, after which production operations and some field activities resumed at the MEX-GOL and SV fields, and subsequently on the SC licence area. At the VAS field all operations have remained suspended since the invasion, but a resumption of production operations is planned in October 2022. The scale and duration of disruption to the Group's business is currently unknown, and there remains significant uncertainty about the outcome of the conflict in Ukraine.

- The Group retains the majority (75% as at 28 September 2022) of its cash outside Ukraine, which enhances the Group's ability to navigate the current risk environment for the foreseeable future, and provides a material buffer to any further disruptions to the Group's operations.

- Subject to the Group's ability to operate safely, development work planned for the remainder of 2022 includes:
    - at the MEX-GOL and SV fields: investigating the deepening of the MEX-109 well to explore a deeper horizon; investigating the hydraulic fracturing of the SV-29 well; and planning the drilling of two new wells, MEX-107 and MEX-114, at the MEX-GOL field
    - at the SC licence: completing the testing of the SC-4 well; completing the interpretation of the 150 km^2 of 3D seismic data acquired over the 2021-2022 winter period; and planning for the development of the licence area
    - at the VAS field: planning for the further development of the field; planning for a new well to explore the VED prospect within the VAS licence area; and maintenance of the gas processing facilities and other field infrastructure
- Development programme for the remainder of 2022 expected to be funded from existing cash resources and operational cash flow

Sergii Glazunov, CEO, commented: "*The military conflict in Ukraine is entirely overshadowing and hugely impacting all aspects of life in Ukraine. Nevertheless, after a brief suspension, we were able to restart production at our MEX-GOL and SV fields, although production operations at our VAS field remained suspended. Subsequently, we were also able to complete the drilling of the SC-4 well on our SC licence area and are now testing this well, and are planning to shortly resume production operations at the VAS field. Our ability to continue to operate is testament to the diligence and fortitude of our operations team.*

Maintaining operations in the current environment is extremely challenging, and the safety and well-being of our staff is paramount, but, subject to that, we will endeavour to continue our operations for the benefit of all our stakeholders and make our best contribution to the economy in Ukraine."

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014, which forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

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Dr Gehrig Schultz, BSc Geophysical Engineering, PhD Geophysics, Member of the European Association of Geophysical Engineers, Member of the Executive Coordinating Committee of the Continental European Energy Council, and a Non-Executive Director of the Company, has reviewed and approved the technical information contained within this announcement in his capacity as a qualified person, as required under the AIM Rules for Companies.

Definitions/Glossary

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
€	Euro
GDP	gross domestic product
Group	Enwell Energy plc and its subsidiaries
km	kilometre
km^2	square kilometre
LPG	liquefied petroleum gas
MEX-GOL	Mekhediviska-Golotvshinska
m^3	cubic metres
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
SV	Svyrydivske
$	United States Dollar
UAH	Ukrainian Hryvnia
VAS	Vasyschevskoye
VED	Vvdenska

Chairman's Statement

I present the results for the first half of 2022 in circumstances that I wish were different. The invasion of Ukraine by Russia in February 2022 and the ongoing conflict has created a very challenging and worrying outlook for both the current and future situation in Ukraine, and I am greatly saddened by the terrible events occurring there.

The invasion has had a significant impact on all aspects of life in Ukraine, including the Group's business and operations, with all field operations being suspended from 24 February to 15 March 2022, after which production operations and some field activities resumed at the MEX-GOL and SV fields. Subsequently, in July 2022, drilling operations on the SC-4 well resumed on the SC licence area to complete the well. However, all operations have remained suspended at the VAS field to date, although a resumption of production operations is planned for October 2022. The overall scale and duration of disruption to the Group's business is currently unknown, and there remains significant uncertainty about the outcome of the ongoing conflict in Ukraine.

Notwithstanding the disruption caused by the invasion, during the period, the Group continued with some development activities at the MEX-GOL, SV and VAS gas and condensate fields and SC licence in north-eastern Ukraine. At the SV field, the SV-31 development well was completed and brought on production in May 2022, and planning has continued for the drilling of two new wells, MEX-107 and MEX-114, in the MEX-GOL field, as well as the possible deepening of the MEX-109 well to explore a deeper horizon. At the SV-29 development well, additional horizons were perforated and tested but stabilised production was not established and consequently the possible hydraulic fracturing of the well is under consideration. Drilling of the SC-4 appraisal well on the SC licence area was completed and testing of this well is now underway, alongside ongoing planning for the further development of the VAS field.

Aggregate average daily production (calculated on the days when the fields were actually in production) from the MEX-GOL, SV and VAS fields during the first half of 2022 was 3,026 boepd, which is lower than the aggregate daily production rate of 4,917 boepd achieved during the first half of 2021 due to the disruption caused by the invasion.

Although production volumes were lower, the dramatic rise in gas prices during the period has meant that revenues were still strong at $77.2 million (1H 2021: $41.1 million). The Group's net profit was also higher at $32.4 million (1H 2021: $13.8 million) and operating profit was $48.9 million (1H 2021: $18.1 million).

There is significant disruption to the fiscal and economic environment in Ukraine due to the ongoing conflict resulting in a contraction in GDP, an increase in the rate of inflation and a weakening of the Ukrainian Hryvnia against other currencies. Furthermore, it is likely that fiscal and economic uncertainties will continue in the future until an acceptable resolution of the conflict occurs.

The Ukrainian Government has implemented a number of reforms in the oil and gas sector in recent years, which include the deregulation of the gas supply market in late 2015, and subsequently, reductions in the subsoil tax rates relating to oil and gas production and a simplification of the regulatory procedures applicable to oil and gas exploration and production activities in Ukraine.

The deregulation of the gas supply market, supported by electronic gas trading platforms and improved pricing transparency, has meant that Ukrainian market gas prices broadly correlated with imported gas prices. During 2022 to date, gas prices have increased significantly, reflecting a similar trend in European gas prices, substantially as a result of the disruption to worldwide oil and gas supplies caused by the conflict. Condensate and LPG prices were also much higher by comparison to last year for the same reason.

However, in Q1 2022, the Ukrainian Government imposed two material measures on oil and gas producers. Firstly, in January 2022, temporary partial gas price regulations were imposed until 30 April 2022, designed to support the production of certain designated food products, further details of which were set out in the Company's announcement dated 17 January 2022. Secondly, changes to the subsoil production tax rates applicable to gas production were introduced with effect from 1 March 2022, pursuant to which the tax rates were linked to gas prices, the incentive rates for new wells were extended for a further 10 years and improvements were made to the regulatory environment. In addition, an excise tax applicable to LPG sales was cancelled in February 2022, and the VAT rate applicable to condensate and LPG sales was reduced in March 2022. Further details were set out in the Company's announcement dated 13 April 2022.

Outlook

The invasion of Ukraine by Russia means that there is a devastating humanitarian situation in Ukraine, as well as extreme challenges to the fiscal, economic and business environment. These circumstances mean that it is extremely difficult to plan future investment and operational activities at the Group's fields, but subject to it being safe to do so, the Group is planning to undertake further development activities during the remainder of 2022 and beyond in order to continue the development of its fields. However, in doing so, the Group is taking and will take all measures available to protect and safeguard its personnel and business, with the safety and wellbeing of its personnel and contractors being paramount. The Group retains the majority (75% as at 28 September 2022) of its cash outside Ukraine, and this has enabled the Board to reach the opinion that the Group has sufficient resources to navigate the current risk environment for the foreseeable future.

In conclusion, on behalf of the Board, I would like to thank all of our staff for their continued dedication and support they showed during this year, especially their remarkable fortitude since the invasion of Ukraine in February 2022.

Chris Hopkinson
Chairman
29 September 2022

Chief Executive's Statement

Introduction

The Russian invasion of Ukraine has materially disrupted the Group's development activity at its Ukrainian fields during the first half of 2022, with operations suspended at all fields immediately after the invasion in February 2022. However, production operations and some field activities resumed at the MEX-GOL and SV fields in mid-March 2022, and this enabled the completion of the SV-31 development well, which came on production in May 2022. At the SV-29 development well, further intervals were perforated, but it was not possible to establish a stabilised flow rate, and the potential hydraulic fracturing of this well is now under consideration. In addition, upgrades to the gas processing facilities were completed.

On the SC licence area, drilling of the SC-4 appraisal well was suspended for a period, but drilling resumed in July 2022, and the well has now been completed and is undergoing testing. In addition, the interpretation of the 150 km^2 of 3D seismic, which was acquired over the 2021-2022 winter period, is nearing completion.

At the VAS field, all operations have remained suspended since the invasion, but a resumption of production operations is planned for October 2022. In addition, planning for the further development of the field, as well as for a proposed new well to explore the VED prospect within the VAS licence area has continued.

Overall production in the first half of 2022 was lower than in the corresponding period in 2021 due to the disruption to production operations caused by the ongoing conflict in Ukraine.

Production

The average daily production of gas, condensate and LPG for the 167 days that the MEX-GOL and SV fields were producing and for the 55 days that the VAS field was producing during the six month period ended 30 June 2022 is shown below.

Field	Gas (MMscf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	1H 2022	1H 2021	**1H 2022**	1H 2021	**1H 2022**	1H 2021	**1H 2022**	1H 2021
MEX-GOL & SV	**11.1**	19.7	**451**	694	**261**	331	**2,592**	4,403
VAS	**2.2**	2.8	**24**	28	**-**	-	**434**	514
Total	**13.3**	22.5	**475**	722	**261**	331	**3,026**	4,917

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields over the entire six month period ended 30 June 2022 (inclusive of shut-in periods) is shown below.

Field	Gas (MMscf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	1H 2022	1H 2021	**1H 2022**	1H 2021	**1H 2022**	1H 2021	**1H 2022**	1H 2021
MEX-GOL & SV	**10.2**	19.7	**416**	694	**241**	331	**2,392**	4,403
VAS	**0.7**	2.8	**7**	28	**-**	-	**132**	514
Total	**10.9**	22.5	**423**	722	**241**	331	**2,524**	4,917

The Russian invasion of Ukraine in February 2022 meant that the Group suspended all field operations for the period from 24 February to 15 March 2022, after which production operations and some field activities resumed at the MEX-GOL and SV fields, while all operations remained suspended at the VAS field and on the SC licence area. Subsequently, in July 2022, drilling resumed at the SC-4 well on the SC licence area and this well has now been completed, but all operations remained suspended at the VAS field since it is located near Kharkiv in north-eastern Ukraine, which has experienced significant military activity. However, a resumption of production operations at this field is planned for October 2022. As a result of the disruptions to operations caused by the invasion, the Group's average daily production for 2022 to date has been materially affected, although production is currently continuing at the MEX-GOL and SV fields at a rate of approximately 2,700 boepd.

Operations

Notwithstanding the impact of the COVID-19 pandemic beginning in 2020, in the period leading up to the Russian invasion of Ukraine, there was relative fiscal and economic stability 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. However, the Russian invasion has caused significant disruption to the fiscal and economic conditions in Ukraine since then. During the first half of 2022, the material increase in gas prices in Europe did, however, feed through to the Group's realised prices in Ukraine, and provided a significant boost to the Group's revenues and profitability during the period.

During 2022 to date, the Group has continued to refine its geological subsurface models of the MEX-GOL, SV and VAS fields, as well as the SC licence area, in order to enhance its strategy for the further development of such fields and licence area, including the timing and level of future capital investment required to exploit the hydrocarbon resources.

At the MEX-GOL and SV fields, the SV-31 development well was completed in May 2022, having been drilled to a final depth of 5,240 metres. At that time, one interval, at a drilled depth of 5,210 - 5,219 metres, within the V-22 Visean formation was perforated, and, following initial testing, the well was hooked up to the gas processing facilities. The well has produced strongly since then, and pursuant to the plans for this well, two additional intervals, at drilled depths of 5,187 – 5,189 and 5,120 – 5,123 metres, respectively within the V-22 and V-21 Visean formations, have recently been perforated to access additional reserves. These additional intervals have also proved productive and materially boosted production rates from this well, which are currently approximately 3.53 MMscf/d of gas and 210 bbl/d of condensate (835 boepd in aggregate).

At the SV-29 development well, additional intervals, at drilled depths of 4,955 – 4,960 and 5,037 – 5,046 metres, within the V-19 and V-20 Visean formation respectively were perforated, but such intervals were not productive. This well was completed in August 2021, having been drilled to a final depth of 5,450 metres. Previously, two intervals, at drilled depths of 5,246 - 5,249 metres and 5,228 - 5,232 metres respectively, within the V-22 Visean formation, were perforated, and although some gas flows were achieved, a stabilised flow from these intervals was not established. In light of the intermittent gas flows in these intervals, the possible hydraulic fracturing of the well is now under consideration.

The Group continued 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. However, during Q4 2021, the SV-2 well experienced water ingress and consequently had to be taken off production. A workover of this well was commenced to remove and replace the production string, but this work was suspended as a result of the Russian invasion of Ukraine. However, workover operations have now re-commenced and are ongoing.

In addition, in Q4 2021, the MEX-109 well also experienced water ingress and as a result was taken off production. A workover of the well was commenced, and steps were taken to seal the source of the water ingress, but again the work was suspended as a result of the Russian invasion. However, the workover operations have now been completed, and the previously producing horizon has now been sealed to prevent water ingress into that horizon, so as to avoid possible disruption to another well which is producing from the same horizon. As a result, further production from such horizon in this well will not be possible, and the possible deepening of this well to explore deeper horizons is now being considered.

Finally, at the MEX-GOL and SV fields, the upgrades to the gas processing facilities have been completed. These works involved 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.

On the SC licence area, after a period of suspension, drilling operations resumed at the SC-4 well in July 2022 and the well has now been drilled to its final depth of 5,585 metres. The well is primarily an appraisal well, targeting production from the V-22 horizon, as well as exploring the V-16 and V-21 horizons, in the Visean formation. Currently, testing operations are underway at the well. In addition, the interpretation of the 150 km^2 of 3D seismic, that was acquired over the 2021 - 22 winter, is now nearing completion.

At the VAS field, the resumption of production operations is scheduled for October 2022, and planning for the further development of the field, as well as for a proposed new well to explore the VED prospect within the VAS licence area, has continued.

In March 2019 (as set out in the Company's 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 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 intends to pursue its challenge to the Order through the Ukrainian Courts.

Outlook

The Russian invasion of Ukraine in February 2022 has caused significant disruption to Ukraine as a whole and to the Group's business activities, and until there is a satisfactory resolution to the conflict, such disruption and uncertainty is likely to continue. However, and subject to it being safe to do so, during the remainder of 2022, the Group plans to continue to develop the MEX-GOL, SV and VAS fields, as well as moving forward with the appraisal and development of the SC licence area.

At the MEX-GOL and SV fields, the development programme includes completing the workover of the SV-2 well, the possible deepening of the MEX-109 well to explore deeper horizons in the Visean formation, preparations for the drilling of two further wells, MEX-107 and MEX-114, in the MEX-GOL field, installation of further compression equipment, and remedial and upgrade work on existing wells, the flow-line network and pipelines and other infrastructure.

On the SC licence area, it is planned to complete the testing of the SC-4 well, finalise the interpretation of the recently acquired 3D seismic, and continue planning for the development of the licence area, including construction of gas processing facilities.

At the VAS field, planning for the further development of the field, as well as for a proposed new well to explore the VED prospect within the VAS licence area will continue, and maintenance of the gas processing facilities and other infrastructure is planned.

Finally, I would like to add my thanks to all of our staff for the continued hard work and dedication they have shown over the course of 2022 to date, and to especially recognise their continuing efforts and professionalism in the face of the extremely challenging current situation in Ukraine.

Sergii Glazunov
Chief Executive Officer

Finance Review

Despite the significant disruption caused by the Russian invasion of Ukraine earlier this year, and almost entirely as a result of the well documented monumental increase in global gas prices, the Group's financial performance in the first six months of 2022 showed an improvement on the corresponding period in 2021, with a net profit for the period of $32.4 million being an approximate 135% increase on the first six months of 2021 (1H 2021: $13.8 million).

Revenue for the period, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was up at $77.2 million (1H 2021: $41.1 million). Most notably, within this total, the revenue from gas sales alone was up approximately 125% at $64.1 million (1H 2021: $28.5 million).

Aggregate production for the first half of 2022 (calculated on the days when the Group's fields were actually in production) was down approximately 38% at 3,026 boepd (1H 2021: 4,917 boepd) due to the disruption to operations as a result of the Russian invasion of Ukraine.

As noted in the Group's 2021 Annual Report and as amplified after the Russian invasion of Ukraine, rarely has natural gas, and its pricing, been more of a focus of public attention, with the significant global rise in the commodity's pricing being well documented over recent months. These global, and particularly European, price increases were also experienced in Ukraine during the first half of 2022, and underpinned the 368% rise in average gas price realisations in the period at $1,165/Mm^3 (UAH33,524/Mm^3), with condensate and LPG average sales prices also up by 39% and 150% at $103/bbl and $165/bbl respectively (1H 2021: $249/Mm^3 (UAH6,897/Mm^3), $74/bbl and $66/bbl respectively).

During the period from 1 July 2022 to 31 August 2022, the average realised gas, condensate and LPG prices were $729/Mm^3 (UAH26,674/Mm^3), $44/bbl and $118/bbl respectively.

Cost of sales for the period was up approximately 32% at $25.7 million (1H 2021: $19.5 million). The major contributor to this increase is the material rise in the revenue-related costs of taxes and well rental (with their direct link to commodity prices), up approximately 80% at a combined $18.4 million (1H 2021: $10.2 million), partially offset by the 40% decrease in Depreciation of Producing Assets to $3.3 million (1H 2021: $5.5 million). The decline in production drove a decline in depreciation but such decline was more than offset by commodity prices to drive up the revenue-related costs of taxes and well rental. Excluding these tax expenses directly related to commodity prices, the residual cost of sales is consistent at $12.8 million (1H 2021: $12.2 million).

Gross profit for the period was higher at $51.5 million (1H 2021: $21.6 million).

Cash generated from operations fell 35% to $12.5 million (1H 2021: $19.1 million), most significantly as a consequence of the $36.4 million increase in receivables (1H 2021: $5.4 million).

The subsoil tax rates applicable to gas production were stable during the first two months of 2022 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, except in respect of gas produced from new wells drilled after 1 January 2018, where 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. The subsoil tax rates for condensate were 31% for condensate produced from deposits shallower than 5,000 metres and 16% for condensate produced from deposits deeper than 5,000 metres.

However, with effect from 1 March 2022, changes to the subsoil production tax rates applicable to gas production were introduced. These changes modified the applicable tax rates based on gas prices, extended the incentive rates for new wells for a further 10 years and made improvements to the regulatory environment. The legislation which introduced these changes also included provisions that these rates will not be increased for 10 years.

The new subsoil production tax rates applicable to gas production are as follows:

(i) when gas prices are up to $150/Mm^3, the rate for wells drilled prior to 1 January 2018 ("old wells") is 14.5% for gas produced from deposits at depths shallower than 5,000 metres and 7% for gas produced from deposits deeper than 5,000 metres, and for wells drilled after 1 January 2018 ("new wells") is 6% for gas produced from deposits at depths shallower than 5,000 metres and 3% for gas produced from deposits deeper than 5,000 metres;

(ii) when gas prices are between $150/Mm^3 and $400/Mm^3, the rate for old wells is 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, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres;

(iii) when gas prices are more than $400/Mm^3, for the first $400/Mm^3, the rate for old wells is 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, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres, and for the difference between $400/Mm^3 and the actual price, the rate for old wells is 65% for gas produced from deposits at depths shallower than 5,000 metres and 31% for gas produced from deposits deeper than 5,000 metres, and for new wells is 36% for gas produced from deposits at depths shallower than 5,000 metres and 18% for gas produced from deposits deeper than 5,000 metres.

The tax rates applicable to condensate production were unchanged and so remain at 31% for condensate produced from deposits shallower than 5,000 metres and 16% for condensate produced from deposits deeper than 5,000 metres, for both old and new wells.

As a direct result of the conflict in Ukraine, including the significant decline in domestic consumption disrupting the previous supply, demand and pricing dynamics, there has been a divergence between domestic and European gas pricing, and accordingly, the methodology (linked to European prices) used to determine the reference gas price for the subsoil tax rates has had a significantly detrimental effect for domestic gas producers. In order to address this issue, the Ukrainian Parliament, in September 2022, approved draft legislation which modifies such methodology to ensure that it operates as originally intended (with such reference price being aligned with domestic prices). This legislation has not yet completed all of the requisite procedural steps to be enacted and brought into force, but the draft legislation envisages an effective implementation date of 1 August 2022 if enacted.

In addition, the excise tax on LPG sales has been suspended between 24 February 2022 and 30 September 2022, but is now being reinstated, and the VAT rate applicable to condensate and LPG sales was reduced to 7% (from 20%) with effect from 18 March 2022.

Finally, in early 2022, the Ukrainian Government imposed temporary and partial gas price regulation to support the production of certain food products through the supply of gas at regulated prices to the producers of such products. Under this scheme, all independent gas producers in Ukraine were required to sell up to 20% of their natural gas production for the period until 30 April 2022 at a price set as the cost of sales of the relevant gas producer (based on established accounting rules) for such gas, plus a margin of 24%, plus existing subsoil production taxes (the "Regulated Price"). This gas was then sold to specified producers of designated socially important food products at the Regulated Price, so as to reduce the energy costs of such producers during the period through to 30 April 2022. The designated products were certain types of flour, milk (with up to 2.5% fat), bread, eggs, chicken and sunflower oil, for sale in the Ukrainian domestic market. This temporary scheme has now concluded. Further details are set out in the Company's announcement dated 17 January 2022.

Administrative expenses for the period were 13% lower at $3.4 million (1H 2021: $4.0 million), primarily as a result of a 19% decrease in payroll and related taxes, and no performance related payments being made in 2022.

Other expenses in the period increased significantly as a result of the charitable donation of $5.0 million (1H 2021: nil) for financial support to the Ukrainian war, security and relief effort.

The tax charge for the six months ended 30 June 2022 increased by 148% to $10.4 million (1H 2021: $4.2 million charge) mainly due to the material increase in profit before tax, and comprised a current tax charge of $8.7 million (1H 2021: $4.0 million charge) and a deferred tax charge of $1.7 million (1H 2021: $0.2 million charge).

A deferred tax asset relating to the Group's provision for decommissioning as at 30 June 2022 of $0.5 million (31 December 2021: $0.5 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 as at 30 June 2022 of $6.6 million (31 December 2021: $5.7 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 as at 30 June 2022 of $0.2 million (31 December 2021: $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. A deferred tax liability relating to the Group's development and production assets at the VAS field as at 30 June 2022 of $0.2 million (31 December 2021: $0.05 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.

Capital investment of $12.0 million reflects the investment in the Group's oil and gas development and production assets during the period (1H 2021: $13.0 million), primarily relating to the drilling of the SV-29, SV-31 and SC-4 wells.

A review for any indicators of impairment of the carrying value of the Group's assets was undertaken at the end of the period and this review did conclude that the Russian invasion of Ukraine had resulted in such an indicator. Impairment reviews were therefore conducted on the carrying value of the Group's assets but resulted in a conclusion that no impairment to carrying value had occurred on any Group asset.

With the material increase in commodity prices during the period, and necessary payment term accommodations that needed to be agreed with the Group's largest indirect off-taker pursuant to a contract facilitated by the Group's related party, LLC Smart Energy, trade receivables were up materially at $39.5 million (1H 2021: $5.3 million). Since the period end, $7.1 million of those trade receivables has been paid, and the balance is expected to be fully received in the near term.

Cash, cash equivalents and short-term investments held as at 30 June 2022 were $77.4 million (31 December 2021: $92.5 million), the decrease being predominantly a result of the $35.6 million increase in Trade and Other Receivables. Cash, cash equivalents, short-term investments and trade and other receivables combined totalled $126.0 million (31 December: $105.6 million), a 19% increase. The Group's cash and cash equivalents balance as at 28 September 2022 was $76.2 million, held as to $18.5 million equivalent in Ukrainian Hryvnia and the balance of $57.7 million equivalent predominantly in US Dollars, Euros and Pounds Sterling.

During the first six months of 2022, the Ukrainian Hryvnia was relatively stable against the US Dollar, weakening modestly from UAH27.3/$1.00 on 31 December 2021 to UAH29.3/$1.00 on 30 June 2022. The impact of this was $7.9 million of foreign exchange loss (1H 2021: $3.9 million of foreign exchange gain). Increases and decreases in the value of the Ukrainian Hryvnia against the US Dollar affect the carrying value of the Group's assets. However, since the period end, in July 2022, the National Bank of Ukraine devalued the Ukrainian Hryvnia by 25% against the US Dollar in order to protect its foreign exchange reserves as the ongoing war continues to materially affect the Ukrainian economy, and currently the official exchange rate of the Ukrainian Hryvnia to the US Dollar is UAH36.57/$1.00. This is not expected to a have a material net impact on the Group with its production and sales dictated by (but not directly linked to) international commodity prices, and should materially offset general price increases that will result from such devaluation.

Cash from operations has funded 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 2022 and beyond. This is coupled with the fact that the Group is currently 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 monetary resources at the end of the period of $77.4 million ($58.8 million of which was held outside Ukraine), and annual running costs of less than $8 million, the Group remains in a very strong position, notwithstanding the impact of the current ongoing conflict in Ukraine, as well as any local or global shocks that may occur to the industry and/or the Group.

Bruce Burrows
Finance Director

Principal Risks and How We Manage Them

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 are detailed below:-

Risk	Mitigation
External risks	
Military conflict in Ukraine	
On 24 February 2022, Russia invaded Ukraine and there is currently a serious and ongoing military conflict within Ukraine. This conflict is having a huge impact on Ukraine and its population, with significant destruction of infrastructure and buildings in the areas of conflict, as well as damage in other areas of Ukraine. The conflict is resulting in significant casualties and has caused a huge humanitarian catastrophe and refugee influx into neighbouring countries. The conflict is also impacting the fiscal and economic environment in Ukraine, as well as the financial stability and banking system in Ukraine, including restrictions on the transfer of funds outside Ukraine. The conflict is an escalation of the previous Regional Conflict risk faced by the business, a dispute that has been going on since 2014 in parts of eastern Ukraine, and, since that time, Russia has continued to occupy Crimea. The current conflict is also having a significant 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. The conflict has disrupted the Group's business and operations, causing the suspension of field operations, albeit recommenced in March 2022 at the MEX-GOL and SV fields and July 2022 at the SC licence area, and planned to be recommenced at the VAS field in October 2022, and has also impacted the supply of materials and equipment and the availability of contractors to undertake field operations. At present, the conflict is ongoing and the scope and duration of the conflict is uncertain.	The Group has assets in the areas of conflict in the east of Ukraine, and the conflict has disrupted its operations in those areas. The Group has suspended all field operations at the VAS field to date, and is only undertaking limited field and production operations at the MEX-GOL and SV fields and SC licence area. At the MEX-GOL and SV fields, inventories of hydrocarbons are being maintained at minimum levels. At the sites where operations are suspended, there are no staff on site, except for necessary security staff. Where possible, all other staff work remotely and have been supplied with all necessary devices and software to facilitate remote working. Additionally, the Group aims to maintain the significant majority of its cash resources outside Ukraine (being 75% as at 28 September 2022). The Group continues to monitor the situation and endeavours to protect its assets and safeguard its staff and contractors.
Risk relating to Ukraine	
Ukraine is an emerging market and as such the Group is exposed to greater regulatory, economic and political risks than would be the case 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. Furthermore, the military conflict in Ukraine is impacting the fiscal and economic environment, the financial and banking system, and the economic	The Group endeavours to minimise 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.

stability of Ukraine. As a result, Ukraine will require financial assistance and/or aid from international financial agencies to provide economic support and assist with the reconstruction of infrastructure and buildings damaged in the conflict.	
Banking system in Ukraine	
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. This situation was improving moderately following remedial action by the National Bank of Ukraine, but the current military conflict has significantly affected such improvements, and the National Bank of Ukraine has imposed a number of restrictive measures designed to protect the banking system, including restrictions of the transfer of funds outside Ukraine (albeit that the Group aims to maintain the significant majority of its cash resources outside Ukraine (being 75% as at 28 September 2022). In addition, Ukraine continues to be supported by funding from the International Monetary Fund, and has requested further funding support from the International Monetary Fund.	The creditworthiness and potential risks relating to the banks in Ukraine are regularly reviewed by the Group, but the geopolitical and economic events in Ukraine over recent years have significantly weakened the Ukrainian banking sector. This has been exacerbated by the current military conflict in Ukraine. 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 the 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 also maintains a significant proportion of its cash holdings in international banks outside Ukraine.
Geopolitical environment in Ukraine	
Although there were some improvements in recent years, there has not been a final resolution of the political, fiscal and economic situation in Ukraine, and the current military conflict has had a severe detrimental effect on the economic situation in Ukraine. The ongoing effects of this are difficult to predict and likely to continue to affect the Ukrainian economy and potentially the Group's business. This situation is currently affecting the Group's production and field operations, and the ongoing instability is disrupting 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 an indirect major shareholder with extensive experience in Ukraine, is considered helpful to mitigate such risks. However, the invasion of Ukraine creates material challenges in planning future investment and operations. The Group is limiting its operational activities to minimise risk to its staff and contractors, and to limit its financial exposure.
Climate change	
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 operations through increasing regulatory oversight and controls, including potential effective or actual loss of licences to operate. As a diligent operator, aware of 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	The Group's plans 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 HSE Committee 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 accounting estimates.

minimal as it can practicably be in managing the hydrocarbon resources the Group produces.	
Operational and technical risks	
Quality, Health, Safety and Environment ("QHSE")	
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. The military conflict in Ukraine poses significant risks to field operations, by way of potential threat to the lives of employees and contractors, and damage to equipment and infrastructure.	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 the Group has implemented processes and controls intended to ensure protection of all our stakeholders and minimise any disruption to our business. As a consequence of the current military conflict in Ukraine, operations at the VAS field are currently suspended entirely, and only limited field and production operations are continuing at the MEX-GOL and SV fields and SC licence area. Only essential staff are located at site, and all other staff are working remotely, either from areas away from the conflict areas or outside Ukraine. The Group has invested in technology that allows many staff to work just as effectively from remote locations.
Industry risks	
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 undertake development programmes depends on a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, gas, oil, condensate and LPG prices, development costs and drilling success. As a result of these uncertainties, it is unknown whether potential drilling locations identified on proposed projects will ever be drilled or whether these or any other potential drilling locations will be able to produce gas, oil or condensate. In addition, drilling activities are subject to many risks, including the risk that commercially productive reservoirs will not be discovered. Drilling for hydrocarbons can be unprofitable, not only due to dry holes, but also as a result of productive wells that do not produce sufficiently to be economic. In addition, drilling and production operations are highly technical and complex activities and may be curtailed, delayed or cancelled as a result of a variety of factors.	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 personnel are available for the operations, and that local contractors are appropriately supervised.
Production of hydrocarbons	
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	In recent years, the Group has 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

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.	the results of this study and further planned technical work are 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.
Risks relating to the further development and operation of the Group's gas and condensate fields in Ukraine	
The planned development and operation of the Group's gas and condensate fields in Ukraine is susceptible to appraisal, development and operational risk. This could include, but is not restricted to, delays in the 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. The military conflict in Ukraine is impacting planning and implementation of development and operations at the Group's fields.	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 regards to operational activities, the Group ensures that appropriate equipment and personnel are available for the operations, and that operational contractors are appropriately supervised. In addition, the Group performs a review of indicators of impairment of its oil and gas assets 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.
Drilling and workover operations	
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.	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.
Maintenance of facilities	
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.	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.
Financial risks	
Exposure to cash flow and liquidity risk	
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	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 aims to maintain the significant majority of its cash resources outside Ukraine (being 75% as at 28 September 2022). The Group does not currently have any loans outstanding, internal financial projections are regularly made based on the latest estimates available,

generated, or that additional funding, should the need arise, cannot be secured. The military conflict in Ukraine has disrupted production operations at the Group's fields, and consequently reduced anticipated cash flows from those fields, and this has increased the risk regarding sufficiency of capital for development. In addition, the conflict may disrupt the sales market for hydrocarbons that are produced. Currently, however, hydrocarbon prices are very high, which is ameliorating the potential reduction in cash flows resulting from lower production, and the Group's sales counterparties are expected to meet their financial obligations.	and various scenarios are run to assess the robustness of the Group's liquidity. 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.
Ensuring appropriate business practices	
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.	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.
Hydrocarbon price risk	
The Group derives its revenue principally from the sale of its Ukrainian gas, condensate and LPG production. These revenues are subject to commodity price volatility and political influence. A prolonged period of low gas, condensate and LPG prices may impact the Group's ability to maintain its long-term investment programme with a consequent effect on its growth rate, which in turn may impact the Company's 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. In addition, the military conflict in Ukraine may disrupt the sales market for hydrocarbons, although, currently, hydrocarbon prices are very high, and the Group's sales counterparties are expected to meet their financial obligations.	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 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. In January 2022, the Ukrainian Government imposed temporary partial gas price regulations until 30 April 2022, designed to support the production of certain designated food products. Whilst an unhelpful interference in the functioning of the deregulated gas supply market in Ukraine, in its stated form and duration, this temporary scheme was not a material risk to the Company and its cash generation, and has now expired.
Currency risk	
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 UAH29.3/$1.00	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

on 30 June 2022, and UAH36.57$1.00 on 29 September 2022. This devaluation has been a significant contributor to the imposition of banking restrictions by the National Bank of Ukraine over recent years. In addition, the geopolitical events in Ukraine over recent years and the current military conflict in Ukraine are likely to continue to impact the valuation of the Ukrainian Hryvnia against major world currencies. Further devaluation of the Ukrainian Hryvnia against the US Dollar will affect the carrying value of the Group's assets.	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.
Counterparty and credit risk	
The challenging political and economic environment in Ukraine and current military conflict 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.	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 seek to limit supply credit and/or title transfer until payment is received.
Financial markets and economic outlook	
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 difficulty, the COVID pandemic, and more particularly the current military conflict in Ukraine. 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.	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 overall exposure that the Group faces as a result of these risks cannot be predicted and many of these are outside of the Group's control.
Corporate risks	
Ukrainian production licences	
The Group operates in a region where the right to production can be challenged by State and non-State parties. During 2010, this manifested itself in the form of a Ministry Order instructing the Group to suspend all operations and production from its 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. 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 able to continue (although the Russian invasion caused production to	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.

be suspended, with resumption planned for October 2022), but this matter remains unresolved. In 2020, LLC Arkona Gas-Energy ("Arkona") faced a challenge from PJSC Ukrnafta concerning the validity of its SC production 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, production licences in Ukraine are issued with and/or carry ongoing compliance obligations, which if not met, may lead to the loss of a licence.	
Risks relating to key personnel	
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. The current military conflict in Ukraine has meant that, as far as possible, the Group's staff have needed to move away from areas of conflict and work remotely.	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. As a result of the military conflict, only essential staff are located at site, and all other staff are working remotely, either from areas away from the conflict areas or outside Ukraine. The Group has invested in technology that allows many staff to work just as effectively from remote locations.

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 22 (unaudited) $000**	6 months ended 30 Jun 21 (unaudited) $000
Revenue	3	**77,228**	41,050
Cost of sales	4	**(25,690)**	(19,452)
Gross profit		**51,538**	21,598
Administrative expenses		**(3,428)**	(3,953)
Other operating income, (net)	5	**824**	469
Operating profit		**48,934**	18,114
Net impairment losses on financial assets		**(679)**	(19)
Other expenses, (net)	6	**(5,227)**	(39)
Finance income		**-**	87
Finance costs		**(248)**	(197)
Profit before taxation		**42,780**	17,946
Income tax expense	7	**(10,408)**	(4,157)
Profit for the period		**32,372**	13,789
Earnings per share (cents)			
Basic and diluted	8	**10.1c**	4.3c

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 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Profit for the period	**32,372**	13,789
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Equity - foreign currency translation	**(7,943)**	3,927
Total other comprehensive (loss)/income	**(7,943)**	3,927
Total comprehensive income for the period	**24,429**	17,716

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

enwell ENERGY

Condensed Interim Consolidated Balance Sheet

	Note	**30 Jun 22 (unaudited) $000**	31 Dec 21 (audited) $000
Assets			
Non-current assets			
Property, plant and equipment	9	**83,487**	87,418
Intangible assets	10	**11,206**	12,340
Right-of-use assets		**716**	1,008
Deferred tax asset	7	**375**	361
		95,784	101,127
Current assets			
Inventories		**2,395**	1,862
Trade and other receivables	11	**48,678**	13,059
Cash and cash equivalents	14	**77,370**	87,780
Other short-term investments	14	**-**	4,762
		128,443	107,463
Total assets		**224,227**	208,590
Liabilities			
Current liabilities			
Trade and other payables		**(8,344)**	(12,306)
Lease liabilities		**(391)**	(455)
Corporation tax payable		**(4,519)**	(5,445)
		(13,254)	(18,206)
Net current assets		**115,189**	89,257
Non-current liabilities			
Provision for decommissioning	12	**(993)**	(5,467)
Lease liabilities		**(421)**	(648)
Defined benefit liability		**(390)**	(427)
Deferred tax liability	7	**(6,119)**	(5,197)
Other non-current liabilities	13	**(104)**	(128)
		(8,027)	(11,867)
Total liabilities		**(21,281)**	(30,073)
Net assets		**202,946**	178,517
Equity			
Called up share capital		**28,115**	28,115
Foreign exchange reserve		**(111,554)**	(103,611)
Other reserve		**(3,204)**	(3,204)
Capital contribution reserve		**7,477**	7,477
Retained earnings		**282,112**	249,740
Total equity		**202,946**	178,517

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 $000**	**Total equity $000**
As at 1 January 2022 (audited)	**28,115**	**-**	**(3,204)**	**7,477**	**(103,611)**	**249,740**	**178,517**
Profit for the period	-	-	-	-	-	32,372	32,372
Other comprehensive income							
- exchange differences	-	-	-	-	(7,943)	-	(7,943)
Total comprehensive income	**-**	**-**	**-**	**-**	**(7,943)**	**32,372**	**24,429**
As at 30 June 2022 (unaudited)	**28,115**	**-**	**(3,204)**	**7,477**	**(111,554)**	**282,112**	**202,946**

	Called up share capital $000	Share premium account $000	Merger reserve $000	Capital contributions reserve $000	Foreign exchange reserve* $000	Accumulated losses/ Retained earnings $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

* 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 22 (unaudited) $000**	6 months ended 30 Jun 21 (unaudited) $000
Operating activities			
Cash generated from operations	15	**12,501**	19,148
Charitable donations		**(4,996)**	(23)
Equipment rental income		**-**	15
Income tax paid		**(9,143)**	(2,897)
Interest received		**536**	261
Net cash (outflow)/inflow from operating activities		**(1,102)**	16,504
Investing activities			
Purchase of property, plant and equipment		**(12,074)**	(13,092)
Proceeds from disposal of other short-term investments		**4,762**	-
Purchase of intangible assets		**(23)**	(2,233)
Proceeds from return of prepayments for shares		**-**	250
Proceeds from sale of property, plant and equipment		**2**	9
Net cash outflow from investing activities		**(7,333)**	(15,066)
Financing activities			
Payment of principal portion of lease liabilities		**(239)**	(330)
Net cash outflow from financing activities		**(239)**	(330)
Net (decrease)/increase in cash and cash equivalents		**(8,674)**	1,108
Cash and cash equivalents at beginning of the period	14	**87,780**	60,993
ECL* of cash and cash equivalents		**(223)**	(4)
Effect of foreign exchange rate changes		**(1,513)**	760
Cash and cash equivalents at end of the period	14	**77,370**	62,857

*ECL – Expected credit losses

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 (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 2022, the Company's majority shareholder, with 82.65% of the issued share capital, and immediate parent company was Smart Energy (CY) Ltd, which is 100% owned by Smart Holding (Cyprus) 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. Since 2013, there has been ongoing political and economic instability in Ukraine, which 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 had been some recent gradual improvements.

Impact of the ongoing war in Ukraine

On 24 February 2022, Russia commenced a military invasion of Ukraine. This was quickly followed by the enactment of martial law by the Ukrainian President's Decree, approved by the Parliament of Ukraine, and the corresponding introduction of related temporary restrictions that impact, amongst other areas, the economic environment and business operations in Ukraine.

Currently, seven months after the initial military attack, fighting continues in and around several major Ukrainian cities, causing very significant numbers of reported military and civilian casualties and significant dislocation of the Ukrainian population. As of the date hereof, the Russian army has occupied territories in the east and south of Ukraine, including the majority of the Kherson, Zaporizhzhia, Luhansk and Donetsk regions. Russian attacks have targeted and destroyed civilian infrastructure over wide areas of Ukraine, including hospitals and residential complexes. The invasion caused, and continues to cause, significant turbulence and disruption to the social and economic environment in Ukraine, with many businesses being forced to suspend their operations. According to a projection published by the International Monetary Fund ("IMF") in April 2022, Ukrainian GDP may fall 35% in 2022.

On 3 June 2022, the National Bank of Ukraine ("NBU") increased the key policy interest rate to 25%, which was aimed at suspending price increases and strengthening the Ukrainian Hryvnia exchange rate. The NBU has also introduced temporary restrictions on foreign currency trades and limited the ability to perform cross-border payments for non-critical imports and repayment of debt to foreign creditors, apart from international institutions. At that time, the Ukrainian Hryvnia exchange rate with the US Dollar was effectively fixed at UAH29.25:$1.00 on the foreign exchange market to ensure the stable operation of Ukraine's financial system, and this was increased to UAH36.57:$1.00 in July 2022. As a result, commercial interbank quotes remain close to the officially imposed NBU exchange rate. Despite the uncertainty and instability in the general situation within Ukraine, the banking system remains relatively stable, with sufficient liquidity even as martial law continues, and banking services are available to both legal entities and individual bank customers.

The Ukrainian Government is taking action to limit the negative effects of the war on the Ukrainian economic environment during the period of martial law and beyond, including but not limited to:

- the Parliament of Ukraine has adopted a temporary easing of the tax regime until the end of martial law, including the suspension of tax audits and has cancelled penalties for violating the tax law;

- gasoline, heavy distillates, liquefied gas, oil and petroleum are subject to VAT at a reduced rate of 7%, and the excise tax rate for the imported fuel group of products' was suspended between 24 February 2022 and 30 September 2022, although it is now being reinstated at its previous level;

- a number of measures were taken to limit prices for energy resources, including prohibiting export of gas, setting a level of electricity price on transactions a day ahead and intraday markets; and

- the Parliament of Ukraine passed a law (№ 7038-d) to increase the subsoil tax rate on natural gas production during martial law. This law introduced a differentiated subsoil tax rate on the production of natural gas depending on sale prices for natural gas.

Additional financial support was received from a number of international institutions, including from the IMF and European Bank for Reconstruction and Development ("EBRD"), to support the economy and the population. Such financial support is critical for Ukraine to continue to service its debts in the foreseeable future, including record high State debt repayments in 2022.

Given the fast-moving nature of the situation in Ukraine and the unpredictability of the outcome, it is impracticable to assess the full impact of the war on the economic environment.

Gas market developments

On 30 December 2021, the Cabinet of Ministers adopted Resolution № 1433 and Resolution № 1435, according to which all independent gas producers in Ukraine (as identified by a Committee set up by the Ukrainian Government (the "Committee")) were required to sell up to 20% of their natural gas production for the period until 30 April 2022 at a price set at the cost of sales of the relevant gas producer (based on established accounting rules) for such gas, plus a margin of 24%, plus existing production taxes (the "Regulated Price"). This gas was then to be sold to specified producers of designated socially important food products (as identified by the Committee) at the Regulated Price to reduce the energy costs of such producers during the period through to 30 April 2022. Although the introduction of these measures pre-dated the military conflict in Ukraine, their impact has coincided with the military conflict, but nevertheless, the measures have not had a material financial impact on the Group, given the modest volume of gas sold at Regulated Prices and the reduced production during the applicable period.

On 15 March 2022, the Ukrainian Parliament adopted the Law of Ukraine № 2139-IX "On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine on the introduction of differentiated rent (subsoil tax) for natural gas production", which introduced changes to the subsoil production tax rates applicable to natural gas production by modifying the applicable rates based on gas prices, extending the incentive rates for new wells for a further 10 years and making improvements to the regulatory environment. These changes took effect on 1 March 2022, and the legislation includes provisions that these rates will not be increased for 10 years.

The new subsoil production tax rates are as follows:

(a) when gas prices are up to \$150/Mm^3, the rate for wells drilled prior to 1 January 2018 ("old wells") is 14.5% for gas produced from deposits at depths shallower than 5,000 metres and 7% for gas produced from deposits deeper than 5,000 metres, and for wells drilled after 1 January 2018 ("new wells") is 6% for gas produced from deposits at depths shallower than 5,000 metres and 3% for gas produced from deposits deeper than 5,000 metres;

(b) when gas prices are between \$150/Mm^3 and \$400/Mm^3, the rate for old wells is 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, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres;

(c) when gas prices are more than \$400/Mm^3, for the first \$400/Mm^3, the rate for old wells is 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, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres, and for the difference between $400/Mm³ and the actual price, the rate for old wells is 65% for gas produced from deposits at depths shallower than 5,000 metres and 31% for gas produced from deposits deeper than 5,000 metres, and for new wells is 36% for gas produced from deposits at depths shallower than 5,000 metres and 18% for gas produced from deposits deeper than 5,000 metres.

Prior to the changes, the tax rate for old wells was 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, and for new wells was 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres. The tax rates applicable to condensate production were unchanged and remain at 31% for condensate produced from deposits shallower than 5,000 metres and 16% for condensate produced from deposits deeper than 5,000 metres, for both old and new wells.

As a direct result of the conflict in Ukraine, including the significant decline in domestic consumption disrupting the previous supply, demand and pricing dynamics, there has been a divergence between domestic and European gas pricing, and accordingly, the methodology (linked to European prices) used to determine the reference gas price for the subsoil tax rates has had a significantly detrimental effect for domestic gas producers. In order to address this issue, the Ukrainian Parliament, in September 2022, approved draft legislation which modifies such methodology to ensure that it operates as originally intended (with such reference price being aligned with domestic prices). This legislation has not yet completed all the requisite procedural steps to be enacted and brought into force, but the draft legislation envisages an effective implementation date of 1 August 2022 if enacted.

COVID-19 impact

The COVID-19 pandemic had a significant impact on the economic environment in Ukraine and throughout the world. The rapid spread of the COVID-19 coronavirus pandemic, and the restrictions introduced to counteract the pandemic significantly impacted global commodity and financial markets. The overall impact of COVID-19 will largely depend on the duration and extent of the effects of the pandemic on the global and Ukrainian economies. Businesses in Ukraine adapted to operating in new realities, arranging remote work, supply and sale modes of operation. At the date hereof, based on the available information, management believes that the uncertainties attributable to COVID-19 do not represent a key risk factor that may materially affect the liquidity and continuity of the Group's operations.

Overall, the final resolution and the ongoing effects of the military conflict and political and economic situation in Ukraine are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Group's business.

As at 29 September 2022, the official NBU exchange rate of the Ukrainian Hryvnia against the US Dollar was UAH36.57/$1.00, compared with UAH29.25/$1.00 as at 30 June 2022.

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

2. Accounting Judgements and Estimates

Basis of preparation

These unaudited condensed interim consolidated financial statements for the six month period ended 30 June 2022 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 2021 were approved by the Board of Directors on 28 June 2022 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 2021, which were prepared in accordance with UK-adopted International Accounting Standards.

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 2021, with the exception of the new or revised standards and interpretations set out below.

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 2022 or afterwards (these standards, amendments to standards and interpretations did not have a material impact on this unaudited interim condensed consolidated financial information):

- Amendments to IAS 16 Property, Plant and Equipment prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These can either be incremental costs of fulfilling that contract or the allocation of other costs that relate directly to fulfilling contracts;

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

Going Concern

The Group's business activities, together with the factors likely to affect its future operations, performance and financial position are set out in the Chairman's Statement, Chief Executive's Statement and Finance Review. The financial position of the Group, its cash flows and liquidity position are set out in these unaudited condensed interim consolidated financial statements.

On 24 February 2022, Russia commenced a military invasion of Ukraine. This was quickly followed by the enactment of martial law by the Ukrainian President's Decree, approved by the Parliament of Ukraine, and the corresponding introduction of related temporary restrictions that impact the economic environment and business operations in Ukraine.

The production assets of the Group are located in the central and eastern part of the country (Poltava and Kharkiv regions) which are controlled by the Ukrainian Government. Following a brief period of suspension, production and field operations, as well as construction work on upgrades to the gas processing facilities, at the MEX-GOL and SV fields recommenced. As of the date hereof, no assets of the Group have been damaged, and the Group continues to operate its MEX-GOL, SV and SC assets in the Poltava region, while all production and field operations at the VAS asset located in the Kharkiv region are suspended, although the Group plans to resume production operations at the VAS field in the near future. On the SC licence area, completion of the testing of the SC-4 well is ongoing. No military activities have occurred at the Group's field locations. The Gas Transmission System Operator of Ukraine has maintained complete operational and technological control over the operations of the Ukrainian Gas Transmission System. However, as of the date hereof, the military conflict has had, and continues to have, a material impact on the production and sales levels of the business and execution of the Group's 2022 budget.

The Group has no debt and funds its operations from its own cash resources. Cash and cash equivalents were $76.2 million as at 28 September 2022, of which $57.5 million were held outside of Ukraine, in currencies other than the Ukrainian Hryvnia. The Directors maintain a significant level of flexibility to modify the Group's development plans as may be required to preserve cash resources for liquidity management. Absent the potential impact of the military conflict in Ukraine, the Directors are satisfied that the Group and the Company are a going concern and will continue their operations for the foreseeable future.

In assessing the impact of the military conflict on the ability of the Group and the Company to continue as a going concern, the Directors have analysed a number of possible scenarios of economic and military developments and their impact on the expected cash flows of the Group and Company for the remainder of 2022 and 2023. This includes considering a possible (but in the view of the Directors, highly unlikely) worst case scenario in which the Group has zero production as a result of possible future military conflict dictating field operations being completely shut-in, and all other non-production related costs being maintained at current levels with no reduction or mitigating actions as would otherwise be possible. Even in this worst-case scenario, the Directors are satisfied that the Group and the Company have sufficient liquid resources to be able to meet their liabilities as they fall due and to be able to continue as a going concern for the foreseeable future.

In respect of the Group's operations, staff and assets in Ukraine, the potential short and long-term impact of the future development of the military conflict is inherently uncertain. Accordingly, this creates a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern because of the potential impact on its ability to continue its operations for the foreseeable future and realise its assets in the normal course of business. The unaudited condensed interim consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

The Company is a UK-based investment holding company. The Company had cash and cash equivalents of $57.5 million as at 28 September 2022, all of which are held outside of Ukraine, in US Dollars, Pounds Sterling and Euros. The Directors are satisfied that the Company is a going concern and will be able to continue its operations for the foreseeable future, and there is no material uncertainty in respect of its ability to do so.

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 2021 with certain updates described below.

Estimates

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. The latest development plan and therefore the inputs used to determine the depreciation charge for the MEX-GOL, SV and VAS fields continue until the end of the economic life of the fields, which is assessed to be 2038, 2042 and 2028 respectively, based on the assessment contained in the DeGolyer & MacNaughton reserves report for these fields. The licences for the MEX-GOL and SV fields have recently been extended until 2044. Were the estimated reserves at the beginning of the year to differ by 10% from previous assumptions, the impact on depreciation for the period ended 30 June 2022 would be to increase it by $1,302,000 or decrease it by $750,000 (31 December 2021: increase by $1,195,000 or decrease by $975,000).

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 2022 was 22.97% (31 December 2021: 6.29%). 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 2022 resulted from the revision of the estimated costs of decommissioning (increase of $114,000 in provision) and the increase in the discount rate applied (decrease of $4,429,000 in provision). The increase in discount rate at 30 June 2022 resulted from the increase in the 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, by 2028 on the VAS field, and by 2045 on the SC 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 2022 (unaudited)

	Ukraine $000	United Kingdom $000	Total $000
Revenue			
Gas sales	**64,106**	**-**	**64,106**
Condensate sales	**8,081**	**-**	**8,081**
Liquefied Petroleum Gas sales	**5,041**	**-**	**5,041**
Total revenue	**77,228**	**-**	**77,228**
Segment result	**53,588**	**(922)**	**52,666**
Depreciation and amortisation of non-current assets	**(3,732)**	**-**	**(3,732)**
Operating profit			**48 934**
Segment assets	**165,139**	**59,088**	**224,227**
Capital additions*	**9,724**	**-**	**9,724**

*Comprises additions to property, plant and equipment and intangible assets (Notes 9 and 10).

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

*Comprises additions to property, plant and equipment and intangible assets (Notes 9 and 10).

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 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Production taxes	**12,931**	7,273
Depreciation of property, plant and equipment	**3,251**	5,529
Rent expenses	**5,440**	2,964
Staff costs	**1,217**	1,368
Cost of inventories recognised as an expense	**694**	910
Transmission tariff for Ukrainian gas system	**267**	436
Amortisation of mineral reserves	**227**	236
Other expenses	**1,663**	736
	25,690	19,452

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

	6 months ended 30 Jun 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Interest income on cash and cash equivalents	**536**	312
Reversal of accruals	**236**	167
Contractor penalties applied	**110**	-
Other operating (losses)/income, net	**(58)**	(10)
	824	469

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

	6 months ended 30 Jun 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Charitable donations	**(4,996)**	(23)
Net foreign exchange (losses)/gains	**(2)**	(26)
Other income/(expenses), (net)	**(229)**	10
	(5,227)	(39)

Following the Russian invasion of Ukraine on 24 February 2022, the Group has made a number of charitable donations totalling $4,996,000 to State and volunteer organisations for humanitarian and security assistance.

7. Taxation

The income tax charge of $10,408,000 for the six month period ended 30 June 2022 relates to a current tax charge of $8,682,000 and a deferred tax charge of $1,726,000 (1H 2021: current tax charge of $4,003,000 and deferred tax charge of $154,000).

The movement in the period was as follows:

	6 months ended 30 Jun 22 (unaudited) $000	6 months ended 30 Jun 21 (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	**(5,197)**	(2,705)
Charged to Income Statement - current period	**(1,740)**	(249)
Effect of exchange difference	**818**	(146)
At end of the period	**(6,119)**	(3,100)
Deferred tax asset/(liability) recognised relating to development and production assets at VAS field and provision for decommissioning		
At beginning of the period	**361**	167
Credited to Income Statement - current period	**14**	95
Effect of exchange difference	**-**	8
At end of the period	**375**	270

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 2022 was 25% (1H 2021: 23%).

The deferred tax asset relating to the Group's provision for decommissioning at 30 June 2022 of $517,000 (31 December 2021: $457,000) 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 2022 of $6,635,000 (31 December 2021: $5,654,000) 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 2022 of $150,000 (31 December 2021: $315,000) 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 2022 of $225,000 (31 December 2021: $46,000) 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 2022 and 30 June 2021 and 320,637,836 ordinary shares, being the average number of shares in issue for the period. There are no dilutive instruments.

9. Property, Plant and Equipment

	6 months ended 30 Jun 22 (unaudited)				6 months ended 30 Jun 21 (unaudited)			
	Oil and gas development and production assets Ukraine	**Oil and gas exploration and evaluation assets**	**Other fixed assets**	**Total**	Oil and gas development and production assets Ukraine	Oil and gas exploration and evaluation assets	Other fixed assets	Total
	$000	**$000**	**$000**	**$000**	$000	$000	$000	$000
Cost								
At beginning of the period	**163,170**	**10,110**	**2,631**	**175,911**	135,966	2,362	2,217	140,545
Additions	6,469	3,027	185	9,681	10,604	80	55	10,739
Change in decommissioning provision	(4,250)	(63)	-	(4,313)	(107)	-	-	(107)
Disposals	(57)	-	(25)	(82)	(36)	-	(70)	(106)
Exchange differences	(12,166)	(463)	857	(11,772)	5,850	97	75	6,022
At end of the period	**153,166**	**12,611**	**3,648**	**169,425**	152,277	2,539	2,277	157,093
Accumulated depreciation and impairment								
At beginning of the period	**87,070**	**-**	**1,423**	**88,493**	73,816	-	1,067	74,883
Charge for the period	3,362	-	158	3,520	5,447	-	158	5,605
Disposals	(21)	-	(23)	(45)	(7)	-	(9)	(16)
Exchange differences	(5,933)	-	(98)	(6,037)	3,072	-	48	3,120
At end of the period	**84,478**	**-**	**1,460**	**85,932**	82,328	-	1,264	83,592
Net book value at the beginning of the period	**76,100**	**10,110**	**1,208**	**87,418**	62,150	2,362	1,150	65,662
Net book value at end of the period	**68,668**	**12,611**	**2,189**	**83,487**	69,949	2,539	1,013	73,501

At 30 June 2022, an impairment indicator (the Russian invasion of Ukraine) was identified by the Group, and impairment tests were performed for the MEX-GOL, SV, SC and VAS fields. These reviews concluded that no impairment to carrying value had occurred on any Group asset.

10. .Intangible Assets

	6 months ended 30 Jun 22 (unaudited)				6 months ended 30 Jun 21 (unaudited)			
	Mineral reserve rights	**Exploration and evaluation intangible assets**	**Other intangible assets**	**Total**	Mineral reserve rights	Exploration and evaluation intangible assets	Other intangible assets	Total
	$000	**$000**	**$000**	**$000**	$000	$000	$000	$000
Cost								
At beginning of the period	**6,810**	**8,651**	**752**	**16,213**	6,570	8,286	616	15,472
Additions	**-**	**-**	**43**	**43**	-	63	233	296
Disposals	**-**	**-**	**-**	**-**	-	-	(137)	(137)
Exchange differences	**(460)**	**(590)**	**(50)**	**(1,100)**	265	335	26	626
At end of the period	**6,350**	**8,061**	**745**	**15,156**	6,835	8,684	738	16,257
Accumulated amortisation and impairment								
At beginning of the period	**3,439**	**-**	**434**	**3,873**	2,855	-	385	3,240
Amortisation charge for the period	**224**	**-**	**113**	**337**	236	-	105	341
Disposals	**-**	**-**	**-**	**-**	-	-	(136)	(136)
Exchange differences	**(232)**	**-**	**(28)**	**(260)**	99	-	15	114
At end of the period	**3,431**	**-**	**519**	**3,950**	3,190	-	369	3,559
Net book value at beginning of the period	**3,371**	**8,651**	**318**	**12,340**	3,715	8,286	231	12,232
Net book value at end of the period	**2,919**	**8,061**	**226**	**11,206**	3,645	8,684	369	12,698

Intangible assets consist mainly of the hydrocarbon production licence relating to the VAS gas and condensate field, which is held by LLC Prom-Enerho Produkt, and the Svystunivsko-Chervonolutski (“SC”) hydrocarbon exploration licence, 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.

As at 30 June 2022, an impairment indicator (the Russian invasion of Ukraine) was identified by the Group, and impairment tests were performed for the MEX-GOL, SV, SC and VAS fields. These reviews concluded that no impairment to carrying value had occurred on any Group asset.

11. Trade and Other Receivables

	30 Jun 22 (unaudited) $000	31 Dec 21 (audited) $000
Trade receivables	**39,493**	5,308
Other financial receivables	**235**	200
Less credit loss allowance	**(435)**	(140)
Total financial receivables	**39,293**	5,368
Prepayments and accrued income	**6,550**	5,231
Other receivables	**2,835**	2,460
Total trade and other receivables	**48,678**	13,059

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 are payment for all of the monthly volume of gas by the 10th of the month following the month of delivery (1H 2021: 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).

Prepayments and accrued income mainly consist of prepayments of $5,213,000 relating to the development of the MEX-GOL field, $375,000 relating to the development of the SV field and $404,000 relating to the development of the SC licence (31 December 2021: $1,366,000 relating to the development of the SV field, $1,210,000 relating to the development of the MEX-GOL field and $2,284,000 relating to the development of the SC licence).

12. Provision for Decommissioning

	6 months ended 30 Jun 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
At beginning of the period	**5,467**	6,819
Amounts provided	**-**	127
Unwinding of discount	**160**	122
Change in estimate	**(4,313)**	(234)
Effect of exchange difference	**(321)**	277
At end of the period	**993**	7,111

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.

The non-current provision of $993,000 (31 December 2021: $5,467,000) represents a provision for the decommissioning of the Group's MEX-GOL, SV, VAS and SC production and exploration 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 2022 resulted from the revision of the estimated costs of decommissioning (increase of $114,000 in the provision) and the increase in the discount rate applied (decrease of $4,429,000 in the provision).

13. Other non-current liabilities

Other non-current liabilities as at 30 June 2022 and 31 December 2021 consist of the long-term obligations for the Ukrainian State special purpose fund measured at amortised cost using an interest rate of 20%

14. Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, other short-term investments 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 22 (unaudited) $000	31 Dec 21 (audited) $000
Financial assets		
Cash and cash equivalents	**77,370**	87,780
Other short-term investments	**-**	4,762
Trade and other receivables	**41,456**	5,368
	118,826	97,910
Financial liabilities		
Lease liabilities	**812**	1,103
Trade and other payables	**1,428**	3,404
Other financial liabilities	**2,228**	2,244
	4,468	6,751

At 30 June 2022, the Group held cash and cash equivalents and other short-term investments in the following currencies:

	30 Jun 22 (unaudited) $000	31 Dec 21 (audited) $000
US Dollars	**58,763**	63,247
Ukrainian Hryvnia	**18,381**	29,011
British Pounds	**222**	275
Euros	**4**	9
	77,370	92,542

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.

15. Reconciliation of Operating Profit to Operating Cash Flow

	6 months ended 30 Jun 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Operating profit	**48,934**	18,114
Depreciation and amortisation	**3,882**	6,164
Less interest income recorded within operating profit	**(536)**	(312)
Fines and penalties received	**(110)**	(1)
Loss from write off of non-current assets	**-**	90
Net (gain)/loss on sale of non-current assets	**(1)**	-
Gain on sales of current assets, net	**-**	(12)
Decrease in provisions	**(228)**	(4)
Increase in inventory	**(497)**	(93)
Increase in receivables	**(36,354)**	(5,426)
(Decrease)/increase in payables	**(2,589)**	628
Cash generated from operations	**12,501**	19,148

16. Contingencies and Commitments

Amounts related to works contracted but not yet undertaken in relation to the Group's 2022 investment programme at the MEX-GOL, SV, VAS and SC gas and condensate fields in Ukraine, but not recorded in the unaudited condensed interim consolidated financial statements at 30 June 2022, were $2,435,825 related to Oil and Gas Exploration and Evaluation assets and $1,825,533 related to Oil and Gas Development and Production assets (31 December 2021: $3,101,000 and $2,674,000 respectively).

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 2022 (31 December 2021: 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.

17. 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 2022 was $583,000 (1H 2021: $617,000, and year ended 31 December 2021: $1,115,000).

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 22 (unaudited) $000	6 months ended 30 Jun 21 (unaudited) $000
Sale of goods/services	**63,182**	28,417
Purchase of goods/services	**515**	585
Amounts owed by related parties	**39,059**	7,732
Amounts owed to related parties	**627**	825

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 2022, the Company's immediate parent company was Smart Energy (CY) Ltd, which is 100% owned by Smart Holding (Cyprus) Ltd, which is 100% owned by Mr Vadym Novynskyi. Accordingly, the Company was ultimately controlled by Mr Vadym Novynskyi.

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

18. Events occurring after the Reporting Period

The Russian invasion of Ukraine, which began on 24 February 2022, is ongoing, and has made the situation in Ukraine extremely challenging. Nevertheless, after a suspension of all operations immediately after the invasion, the Group was able to resume production and some field operations at the MEX-GOL and SV fields in March 2022, and the drilling of the SC-4 well at the SC licence in July 2022, although operations at the VAS field have remained suspended. However, with the eastward movement of the conflict area in the Kharkiv region, the Group is planning to resume production operations at the VAS field in October 2022.

The events described above constitute non-adjusting post balance sheet events, and therefore they had no effect on the carrying value of the Group's assets and liabilities as at 30 June 2022.