29 December 2023

ENWELL ENERGY PLC

2023 INTERIM RESULTS

Enwell Energy plc ("Enwell Energy" or the "Company", and together with its subsidiaries, the "Group"), the AIM-quoted (AIM: ENW) oil and gas exploration and production group, today announces its unaudited results for the six month period ended 30 June 2023.

Highlights

Operational

- Aggregate average daily production of 2,730 boepd (calculated on the days when the Group's fields were actually in production) (1H 2022: 3,026 boepd)

- GOL-107 development well successfully completed in Q4 2023 and is undergoing long-term test production

Financial

- Revenue of $33.1 million (1H 2022: $77.2 million) and gross profit of $19.6 million (1H 2022: $51.5 million), down primarily as a result of significantly lower gas prices

- Operating profit of $17.2 million (1H 2022: $48.9 million), down primarily as a result of significantly lower gas prices

- Net profit of $12.5 million (1H 2022: $32.4 million)

- Cash, cash equivalents of $33.8 million as at 30 June 2023 (1H 2022: $77.4 million), down as a result of the £48.1 million interim dividend paid in June 2023, and of $79.1 million as at 14 December 2023

- Average realised gas, condensate and LPG prices in Ukraine were significantly lower at $419/Mm^3 (UAH15,315/Mm^3), $46/bbl and $92/bbl respectively (1H 2022: $1,165/Mm^3 (UAH33,524/Mm^3) gas, $103/bbl condensate and $165/bbl LPG)

- Interim dividend of 15 pence per ordinary share, £48.1 million in aggregate, paid in June 2023 (1H 2022: nil)

Outlook

- The Russian invasion of Ukraine in February 2022 has had and continues to have a significant impact on all aspects of life in Ukraine, including the Group's business and operations. The scale and duration of future disruption to the Group's business is currently unknown, and there remains significant uncertainty about the outcome of the war in Ukraine

- In April and May 2023, the Ukrainian authorities took a number of regulatory actions against the Group, which included the suspension of the VAS production licence and SC exploration licence, and consequently all work at these licences has been suspended

- Subject to the resolution of the regulatory issues and the Group's ability to operate safely, development work planned for 2024 at the MEX-GOL and SV fields includes planning the deepening of the MEX-109 well to explore a deeper horizon, investigating the hydraulic fracturing of the SV-29 well, planning a workover of the MEX-102 well to access a shallower horizon, investigating the possible sidetracking of the MEX-119 well to access additional reserves, installing additional compression equipment and upgrading the flow-line network and other field infrastructure

- Further work on the VAS field and SC licence area will remain suspended until there is a resolution of the regulatory issues, including the lifting of the suspension orders

- Currently, the Group retains approximately a quarter 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

- Development programme for the remainder of 2023 and 2024 expected to be funded from existing cash resources and operational cash flow

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

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 2023 in circumstances which are very challenging for the Group. The invasion of Ukraine by Russia in February 2022 and the ongoing conflict has created a very difficult 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. The overall scale and duration of future disruption to the Group's business is currently unknown, and there remains significant uncertainty about the outcome of the ongoing war in Ukraine.

Notwithstanding the continued disruption caused by the war, during 2023, 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 MEX-GOL field, the GOL-107 development well was completed in late October 2023, and after initial testing demonstrated gas flows from the well, albeit at lower than expected rates, the well has now been hooked up to the gas processing facilities for longer-term testing to establish its optimal operating parameters and to assess whether stimulation may improve production rates. Additionally, at the MEX-GOL field, planning has continued for the deepening of the MEX-109 well to explore a deeper horizon, a workover of the MEX-102 well to access a shallower horizon and investigating the possible sidetracking of the MEX-119 well to access additional reserves. At the SV field, the possible hydraulic fracturing of the SV-29 development well remains under consideration. Drilling of the SC-4 appraisal well on the SC licence area was completed and testing of this well demonstrated strong flow rates of gas and condensate, and planning for the installation of surface facilities and pipelines has been undertaken. At the VAS field, planning for the further development of the field continued.

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 2023 was 2,730 boepd, which is lower than the aggregate daily production rate of 3,026 boepd achieved during 2022 due to the disruption caused by the war, natural field decline and a significant decrease in commodity prices.

The significant decrease in gas prices, coupled with the lower production volumes, during the period has meant that revenues were lower at $33.1 million (1H 2022: $77.2 million). The Group's net profit was also lower at $12.5 million (1H 2022: $32.4 million), operating profit was $17.2 million (1H 2022: $48.9 million), but cash generated from operations was steady at $12.4 million (1H 2022: $12.5 million).

There is significant disruption to the fiscal and economic environment in Ukraine due to the ongoing conflict resulting in a contraction in the economy, 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 war 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, the 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 prices for gas broadly correlated with imported gas prices. During 2023 to date, gas prices decreased significantly, reflecting a similar trend in European gas prices. Condensate and LPG prices were also lower by comparison to the previous year.

Restructuring of Smart Holding Group

In January 2023, the Company was notified that there had been a restructuring of the ownership of the PJSC Smart-Holding Group, a member of which held a major shareholding in the Company, and which was ultimately controlled by Mr Vadym Novynskyi ("Mr Novynskyi"). Under this restructuring, which occurred with effect from 1 December 2022, Mr Novynskyi disposed of his major indirect shareholding interest in the Company to two trusts registered in Cyprus named the SMART Trust and the STEP Trust. Further information is contained in the Company's announcement dated 17 January 2023, and the TR-1 Forms published on 26 January 2023.

Regulatory Actions by Ukrainian Authorities and Suspension of VAS and SC Licences

In early December 2022, the Ukrainian Government imposed sanctions on Mr Novynskyi, as set out in the Company's announcement dated 9 December 2022.

As announced on 4 January 2023, new legislation, Law No. 2805-IX, relating to the natural resources sector was enacted in Ukraine, which came into force on 28 March 2023. This legislation is a substantial package of new procedures and reforms designed to improve the regulatory process relating to the exploration and development of natural resources in Ukraine. However, the legislation includes provisions that if the ultimate beneficial owner of a mineral or hydrocarbon licence becomes the subject of sanctions in Ukraine, then the State Geologic and Subsoil Survey of Ukraine (the "SGSS") may suspend or revoke that licence.

Following Law No. 2805-IX coming into force on 28 March 2023, the Ukrainian authorities have taken a number of regulatory actions against certain of the Group's subsidiary companies in Ukraine.

As announced on 12 April 2023, such regulatory actions included conducting a search at the Group's Yakhnyky office, from where the MEX-GOL and SV fields are operated, and placing certain physical assets of the Ukrainian branch (representative) office of Regal Petroleum Corporation Limited ("RPC") and LLC Arkona Gas-Energy ("Arkona") (which respectively hold the MEX-GOL and SV fields and the SC exploration licence) under seizure, thereby restricting any actions that would change registration of the property rights relating to such assets. However, the use of such assets was not restricted and therefore the Company has been able to continue to operate and produce gas and condensate from the MEX-GOL and SV fields. In addition, the Ministry of Justice of Ukraine (the "MoJ") made an Order cancelling the registration entry made on behalf of a subsidiary of the Company named LLC Regal Petroleum Corporation (Ukraine) Limited in the Unified State Register of Legal Entities, Individuals–entrepreneurs and Civil Institutions of Ukraine (the "State Register") relating to the ultimate beneficial owners of such company, which were stated as being the trustees of the SMART Trust and STEP Trust, as previously notified to the Company, thereby restoring the previous entry in the State Register, Mr Novynskyi. Furthermore, the SGSS issued an Order to RPC requiring that additional information be provided and/or violations be eliminated in the disclosures relating to the ultimate beneficial owners of the MEX-GOL and SV licences respectively.

On 2 May 2023, the MoJ made further Orders cancelling the registration entry made on behalf of three further Ukrainian subsidiaries of the Company named LLC Prom-Enerho Produkt ("PEP"), Arkona and LLC Well Investum ("Well Investum") respectively in the State Register relating to the ultimate beneficial owners of such companies, which again were stated as being the trustees of the SMART Trust and STEP Trust, thereby restoring the previous entry, Mr Novynskyi. PEP holds the VAS production licence, Arkona holds the SC exploration licence and Well Investum is a dormant company.

Following the issuance of the abovementioned Orders by the MoJ, Mr Novynskyi is registered in the State Register as the ultimate beneficial owner of each of PEP and Arkona, and is consequently recognised by the SGSS as the ultimate beneficial owner of each of the VAS production licence and SC exploration licence. As a result, on 4 May 2023, the SGSS issued orders suspending the VAS production licence and SC exploration licence for a period of 5 years effective from that date. Accordingly, the Company ceased all field and production operations on the VAS and SC licence areas.

New Auditor and Temporary Suspension from trading on AIM

In December 2022, as a result of the sanctions imposed on Mr Novynskyi, the Company's previous auditor resigned, but Zenith Audit Ltd were appointed as the Company's new auditor in September 2023. As the Company did not have an auditor prior to the appointment of Zenth Audit Ltd, it was not able to publish and post its audited 2022 Annual Report and Financial Statements to shareholders by the requisite deadline of 30 June 2023 as required by Rule 19 of the AIM Rules for Companies. As a result, trading in the Company's ordinary shares on AIM was suspended with effect from 3 July 2023 pending the Company's compliance with such requirements. However, following the publication of the Annual Report and Financial Statements for the year ended 31 December 2002 on 21 December 2023, and with the publication of these unaudited interim results for the six month period ended 30 June 2023, it is expected that the suspension from trading will be lifted shortly.

Interim Dividend

On 15 June 2023, the Company paid an interim dividend of 15 pence per ordinary share, aggregating to approximately £48.1 million, which was the Company's maiden dividend payment to its shareholders.

Outlook

The ongoing war in Ukraine means that there is a devastating humanitarian situation in Ukraine, as well as extreme challenges to the fiscal, economic and business environment. This has been exacerbated in respect of the Group by the regulatory actions of the Ukrainian authorities, culminating in the suspension of the VAS and SC licences.

These circumstances mean that it is extremely difficult to plan future investment and operational activities at the Group's fields but, subject to resolution of the current regulatory issues with the Ukrainian authorities, and subject to it being safe to do so, the Group is planning to undertake further limited development activities during the remainder of 2023 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 approximately a quarter of its cash reserves outside Ukraine, and this provides a material buffer to any further disruptions to the Group's operations. 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 the continued dedication and support they showed during this year, especially their remarkable fortitude since the invasion of Ukraine in February 2022.

Chris Hopkinson
Chairman

Chief Executive's Statement

Introduction

The war in Ukraine, coupled with regulatory actions by the Ukrainian authorities, materially disrupted the Group's development activity at its Ukrainian fields during the first half of 2023. At the MEX-GOL and SV fields, production operations and some limited field activities continued. The GOL-107 development well was completed in late October 2023 and, after initial testing of the well demonstrated gas flows, albeit at lower than expected rates, the well has now been hooked up to the gas processing facilities to undergo longer-term testing to establish its optimal operating parameters and assess whether stimulation of the well may improve flow rates.

On the SC licence area, after the SC-4 appraisal well was completed and successfully tested in October 2022, the well was suspended as a future production well. Planning for the development of the field was undertaken, which included planning for the installation of gas processing facilities and other surface infrastructure.

At the VAS field, production operations continued 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 also continued.

However, as announced on 4 May 2023, as a result of regulatory actions by the Ukrainian authorities, the VAS production licence and the SC exploration licence were suspended for a period of five years.

Overall production in the first half of 2023 was lower than the corresponding period in 2022 due to the disruption to production operations caused by the war in Ukraine and natural field decline, as well as the suspension of the VAS production licence in May 2023.

Production

The average daily production of gas, condensate and LPG for the 181 days that the MEX-GOL and SV fields were producing and for the 124 days that the VAS field was producing, in each case, during the six month period ended 30 June 2023 is shown below:

Field	Gas (MMscf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	1H 2023	1H 2022	**1H 2023**	1H 2022	**1H 2023**	1H 2022	**1H 2023**	1H 2022
MEX-GOL & SV	**9.8**	11.1	**384**	451	**413**	261	**2,400**	2,592
VAS	**1.7**	2.2	**17**	24	**-**	-	**330**	434
Total	**11.5**	13.3	**401**	475	**413**	261	**2,730**	3,026

The disruptions to operations caused by the war, coupled with the regulatory actions taken by the Ukrainian authorities, have materially adversely affected the Group's average daily production in 2023 to date. Nevertheless, production is currently continuing at the MEX-GOL and SV fields at a rate of approximately 2,200 boepd.

Operations

In the period leading up to the Russian invasion of Ukraine in February 2022, 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 war has caused significant disruption to the fiscal and economic conditions in Ukraine since then. During the first half of 2023, gas prices in Europe declined and this fed through to the Group's realised prices in Ukraine, which had adversely affected the Group's revenues and profitability during the period.

During 2023, the Group 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 field, drilling of the GOL-107 development well, targeting production from the V-20 and V-23 Visean formations, commenced in December 2022 and was completed in late October 2023, with the well having been drilled to a final depth of 5,190 metres. One interval, at a drilled depth of 5,140 - 5,143 metres, within the V-23 formation, was perforated and demonstrated gas flows, but at lower than anticipated rates. The well has now been hooked up to the gas processing facilities to undergo longer-term testing to establish its optimal operating parameters and assess whether stimulation of the well may improve flow rates.

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 undertaken to replace the production string and remove obstructions in the well, but this work was unsuccessful and further remedial work is being considered.

On the SC licence area, after completion and successful testing of the SC-4 well, the well was suspended as a future production well. 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. In testing, the well demonstrated stabilised flow rates of 3 MMscf/d of gas and 3 bbl/d of condensate (535 boepd in aggregate), and planning for the installation of gas processing facilities and other surface infrastructure has been undertaken.

At the VAS field, production operations continued, 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, was undertaken.

However, as announced on 4 May 2023, as a result of regulatory actions by the Ukrainian authorities, the VAS production licence and the SC exploration licence were suspended for a period of five years.

Outlook

The ongoing war in Ukraine has caused significant disruption to the country as a whole and to the Group's business activities, and until there is a satisfactory resolution to the conflict, the disruption and uncertainty are likely to continue. However, subject to resolution of the current regulatory issues with the Ukrainian authorities and it being safe to do so, during 2024, the Group plans to continue the development of its fields to the extent it is possible to do so.

At the MEX-GOL and SV fields, the development programme includes planning the deepening of the MEX-109 well to explore a deeper horizon in the Visean formation, investigating the hydraulic fracturing of the SV-29 well, planning a workover of the MEX-102 well to access a shallower horizon, investigating the possible sidetracking of the MEX-119 well to access additional reserves, installing additional compression equipment and upgrading and maintaining the flow-line network and pipelines and other field infrastructure, as well as planning for the further development of the fields.

Further work on the VAS and SC licence areas will remain suspended until there is a resolution of the regulatory issues, including the lifting of the suspension orders made in respect of those licences.

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 2023, 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

Notwithstanding the significant disruption caused by the war in Ukraine, the Group was able to manage only a modest decline in production volumes during the first half of 2023. However, the significant decrease in gas prices in the period resulted in material reductions in revenue and profitability by comparison with the corresponding period in 2022. Nevertheless, the Group achieved a net profit for the period of $12.5 million (1H 2022: $32.4 million).

Revenue for the period, derived from the sale of the Group's Ukrainian gas, condensate and LPG production, was lower at $33.1 million (1H 2022: $77.2 million), primarily as a result of the decrease in commodity prices in the period.

Aggregate production for the first half of 2023 (calculated on the days when the Group's fields were actually in production) was down approximately 9.8% at 2,730 boepd (1H 2022: 3,026 boepd) due to the disruption to operations as a result of the war in Ukraine, natural field decline and the suspension of the VAS production licence in May 2023.

During 2023, global, and particularly European, commodity prices decreased significantly, and these decreases also occurred in Ukraine, and resulted in the 64% decline in average gas price realisations in the period at $419/Mm^3 (UAH15,315/Mm^3), with condensate and LPG average sales prices also down by 55% and 44% at $46/bbl and $92/bbl respectively (1H 2022: $1,165/Mm^3 (UAH33,524/Mm^3), $103/bbl and $165/bbl respectively).

During the period from 1 January 2023 to 14 December 2023, the average realised gas, condensate and LPG prices were $395/Mm^3 (UAH14,426/Mm^3), $71/bbl and $100/bbl respectively.

Gross profit for the period was lower at $19.6 million (1H 2022: $51.5 million).

Cost of sales for the period was lower at $13.6 million (1H 2022: $25.7 million).

The subsoil tax rates applicable to gas production were stable during the first six months of 2023 and were 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 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 war 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, passed legislation which modified such methodology to ensure that it operates as originally intended (with such reference price being aligned with domestic prices). This methodology had an implementation date of 1 August 2022.

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

Administrative expenses for the period were slightly higher at $3.7 million (1H 2022: $3.4 million). Other expenses in the period were $0.8 million (1H 2022: $5.2 million), down primarily due to the decrease in charitable donations during the period.

The tax charge for the six months ended 30 June 2023 was lower at $5.0 million (1H 2022: $10.4 million charge), and comprised a current tax charge of $3.1 million (1H 2022: $8.7 million charge) and a deferred tax charge of $1.9 million (1H 2022: $1.7 million charge).

A deferred tax asset relating to the Group’s provision for decommissioning as at 30 June 2023 of $0.6 million (31 December 2022: $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 2023 of $6.2 million (31 December 2022: $3.7 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 2023 of $0.3 million (31 December 2022: $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 asset relating to the Group’s development and production assets at the VAS field as at 30 June 2023 of $0.5 million (31 December 2022: deferred tax liability of $23,000) 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.

Capital investment of $3.0 million reflects the investment in the Group’s oil and gas development and production assets during the period (1H 2022: $12.0 million), primarily relating to the drilling of the GOL-107 well. This significant $9.0 million reduction in capital investment is a function of the deferral of certain aspect of the Group’s development plans necessitated by the ongoing war in Ukraine.
As a result of the war, necessary payment term accommodations 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, with the consequence that trade receivables remained high at $44.9 million (1H 2022: $39.5 million). The trade receivables were all paid post period end.

Cash and cash equivalents held as at 30 June 2023 were lower at $33.8 million (1H 2022: $77.4 million), the decrease being predominantly as a result of the payment of the interim dividend of £48.1 million in June 2023. The Group’s cash and cash equivalents balance as at 14 December 2023 was $79.1 million, held as to $58.5 million equivalent in Ukrainian Hryvnia and the balance of $20.6 million equivalent predominantly in US Dollars, Euros and Pounds Sterling.

During the first six months of 2023, the Ukrainian Hryvnia was stable against the US Dollar, at UAH36.6/$1.00 on 31 December 2022 and UAH36.6/$1.00 on 30 June 2023. The impact of this was $0.7 million of foreign exchange gain (1H 2022: $7.9 million of foreign exchange loss). Increases and decreases in the value of the Ukrainian Hryvnia against the US Dollar affect the carrying value of the Group’s assets. The official exchange rate of the Ukrainian Hryvnia to the US Dollar on 14 December 2023 was UAH37.0/$1.00. This movement is not expected to have a material net impact on the Group, as its production and sales are dictated by (but not directly linked to) international commodity prices, which are expected to materially offset general cost increases that will result from such devaluation.

Cash from operations has funded the capital investment during the first six months of 2023, 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 2023 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 $33.8 million equivalent, and annual running costs of less than $8 million, the Group remains in a very strong position, notwithstanding the impact of the current conflict in Ukraine, as well as any local or global shocks that may occur to the industry and/or the Group.

On 15 June 2023, the Company paid an interim dividend of 15 pence per ordinary share, approximately £48.1 million in aggregate, which was the Company's maiden dividend payment to its shareholders.

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	
War in Ukraine	
On 24 February 2022, Russia invaded Ukraine and there is currently a serious and ongoing war within Ukraine. This war 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 war is resulting in significant casualties and has caused a huge humanitarian catastrophe and refugee influx into neighbouring countries. The war 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 war 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 war 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 war has disrupted the Group's business and operations, causing the suspension of field operations, albeit these recommenced in March 2022 at the MEX-GOL and SV fields, in July 2022 at the SC licence area and in October 2022 at the VAS field, and has also impacted the supply of materials and equipment and the availability of contractors to undertake field operations. At present, the war is ongoing and the scope and duration of the war is uncertain.	The Group has assets in the areas of conflict in the east of Ukraine, and the war has disrupted its operations in those areas. The Group has been only undertaking limited field and production operations at the MEX-GOL, SV and VAS fields and SC licence area. At the fields, inventories of hydrocarbons are being maintained at minimum levels. At the sites where operations are suspended, there are no staff permanently 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 a significant proportion of its cash resources outside Ukraine. 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 it would be in other jurisdictions. Emerging economies are generally subject to a volatile political and economic environment, which makes them vulnerable to market downturns elsewhere in the world and could adversely impact the Group's ability to operate in the market. Furthermore, the war in Ukraine is impacting the fiscal and economic environment, the financial and banking system, and the economic 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 war.	The Group minimises this risk by continuously monitoring the market in Ukraine and by maintaining as strong a working relationship as possible with the Ukrainian regulatory authorities. The Group also maintains a significant proportion of its cash holdings in international banks outside Ukraine.

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 war 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 on the transfer of funds outside Ukraine (albeit that the Group aims to maintain a significant proportion of its cash resources outside Ukraine. 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 war 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 war 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. However, the war in 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 minimal as it can practicably be in managing the hydrocarbon resources the Group produces.	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.
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 war in	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 result of the COVID-19 pandemic the Group has

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.	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 war in Ukraine, operations at the MEX-GOL, SV and VAS fields and SC licence area have been suspended for periods, and currently only limited field and production operations are continuing at the MEX-GOL and SV fields. 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 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.	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 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	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

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 war in Ukraine is impacting planning and implementation of development and operations at the Group's fields.	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 generated, or that additional funding, should the need arise, cannot be secured. The war 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, and the Group's sales counterparties are meeting their financial obligations. In addition to the risk of operational cash shortfalls, there is a risk that even with robust cash flows and cash balances, the Group, from time to time, can suffer from non-Ukrainian operational banking appetite for businesses such as the Group's business, which can ultimately manifest itself in having a restricted access to banking services.	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 a significant proportion of its cash resources outside Ukraine. The Group does not currently have any loans outstanding, internal financial projections are regularly made based on the latest estimates available, and various scenarios are run to assess the robustness of the 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. The Group aims to maintain as diverse a range of banking relationships as possible to reduce the risks associated with limited accessibility to banking services which may exist 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 war in Ukraine may disrupt the sales market for hydrocarbons, although, currently, hydrocarbon prices are very high, and the Group's sales counterparties are meeting 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 is 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 UAH36.6/$1.00 on 31 December 2022, and UAH37.0/$1.00 on 14 December 2023. 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 war 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.	The Group's sales proceeds are received in Ukrainian Hryvnia, and the majority of the capital expenditure costs for the current investment programme will be incurred in Ukrainian Hryvnia, thus the currency of revenue and costs are largely matched. In light of the previous devaluation and volatility of the Ukrainian Hryvnia against major world currencies, and since the Ukrainian Hryvnia does not benefit from the range of currency hedging instruments which are available in more developed economies, the Group has adopted a policy that, where possible, funds not required for use in Ukraine be retained on deposit in the United Kingdom and Europe, principally in US Dollars.
Counterparty and credit risk	
The challenging political and economic environment in Ukraine and current war 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	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

contractual obligations to the Group, including in relation to the sale of its hydrocarbon production, resulting in financial loss to the Group.	that 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 war 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, which was not resolved until March 2023. 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. During 2023, the Ukrainian authorities have taken a number of regulatory actions against the Group, which have culminated in Ministry Orders being made in May 2023 to suspend all operations and production at the VAS production licence and SC exploration licence. Excepting the current suspension Orders made in respect of the VAS production licence and SC exploration licence, all such challenges affecting the Group have been successfully defended through the Ukrainian legal system. In July 2023, new legislation was introduced in Ukraine, which will come into force in September 2024, and which requires that branches (or representative offices) of foreign companies operating in Ukraine register their ultimate beneficial owners in Ukrainian Registries. Regal Petroleum Corporation Ltd ("RPC"), which holds the MEX-GOL and SV licences, operates such a branch and will	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.

therefore be required to register its ultimate beneficial owners from the implementation of this law, which raises a potential risk that such registration will not be accepted by the Ukrainian authorities, and possibly result in regulatory action against RPC and/or its licences and assets, including suspension of the MEX-GOL and SV licences. 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 war 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 war, 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 23 (unaudited) $000**	6 months ended 30 Jun 22 (unaudited) $000
Revenue	3	**33,137**	77,228
Cost of sales	4	**(13,577)**	(25,690)
Gross profit		**19,560**	51,538
Administrative expenses		**(3,684)**	(3,428)
Other operating income, (net)	5	**1,279**	824
Operating profit		**17,155**	48,934
Net impairment losses on financial assets		**(184)**	(679)
Other expenses, (net)	6	**780**	(5,227)
Finance costs		**(359)**	(248)
Profit before taxation		**17,392**	42,780
Income tax expense	7	**(4,918)**	(10,408)
Profit for the period		**12,474**	32,372
Earnings per share (cents)			
Basic and diluted	8	**3.9c**	10.1c

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 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Profit for the period	**12,474**	**32,372**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Equity - foreign currency translation	**698**	**(7,943)**
Total other comprehensive (loss)/income	**698**	**(7,943)**
Total comprehensive income for the period	**13,172**	**24,429**

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

Condensed Interim Consolidated Balance Sheet

	Note	30 Jun 23 (unaudited) $000	31 Dec 22 (audited) $000
Assets			
Non-current assets			
Property, plant and equipment	9	**81,092**	74,256
Intangible assets	10	**8,771**	8,994
Right-of-use assets		**282**	364
Prepayments for fixed assets		**926**	5,385
Deferred tax asset	7	**799**	287
		91,870	89,286
Current assets			
Inventories		**2,706**	3,358
Trade and other receivables	11	**64,489**	60,438
Cash and cash equivalents	14	**33,831**	88,652
		101,026	152,448
Total assets		**192,896**	241,734
Liabilities			
Current liabilities			
Trade and other payables		**(24,595)**	(27,529)
Lease liabilities		**(150)**	(229)
Corporation tax payable		**(1,165)**	(2,447)
		(25,910)	(30,205)
Net current assets		**75,116**	122,243
Non-current liabilities			
Provision for decommissioning	12	**(7,130)**	(6,964)
Lease liabilities		**(241)**	(258)
Defined benefit liability		**(317)**	(323)
Deferred tax liability	7	**(5,613)**	(3,232)
Other non-current liabilities	13	**(81)**	(93)
		(13,382)	(10,870)
Total liabilities		**(39,292)**	(41,075)
Net assets		**153,604**	200,659
Equity			
Called up share capital		**28,115**	28,115
Foreign exchange reserve		**(141,007)**	(141,705)
Other reserve		**(3,204)**	(3,204)
Capital contribution reserve		**7,477**	7,477
Retained earnings		**262,223**	309,976
Total equity		**153,604**	200,659

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 2023 (audited)	**28,115**	**-**	**(3,204)**	**7,477**	**(141,705)**	**309,976**	**200,659**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**12,474**	**12,474**
Other comprehensive income							
- exchange differences	**-**	**-**	**-**	**-**	**698**	**-**	**698**
Total comprehensive income	**-**	**-**	**-**	**-**	**698**	**12,474**	**13,172**
Distributed dividends	**-**	**-**	**-**	**-**	**-**	**(60,227)**	**(60,227)**
As at 30 June 2023 (unaudited)	**28,115**	**-**	**(3,204)**	**7,477**	**(141,007)**	**262,223**	**153,604**

	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

* 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 23 (unaudited) $000**	6 months ended 30 Jun 22 (unaudited) $000
Operating activities			
Cash generated from operations	15	**12,353**	12,501
Charitable donations		**(2)**	(4,996)
Equipment rental income		**133**	-
Income tax paid		**(4,233)**	(9,143)
Interest received		**1,585**	536
Net cash (outflow)/inflow from operating activities		**9,836**	(1,102)
Investing activities			
Purchase of property, plant and equipment		**(3,393)**	(12,074)
Proceeds from disposal of other short-term investments		**-**	4,762
Purchase of intangible assets		**(1,338)**	(23)
Proceeds from return of prepayments for shares		**-**	-
Proceeds from sale of property, plant and equipment		**1**	2
Net cash outflow from investing activities		**(4,730)**	(7,333)
Financing activities			
Payment of dividends		**(59,623)**	-
Payment of principal portion of lease liabilities		**(137)**	(239)
Net cash outflow from financing activities		**(59,760)**	(239)
Net (decrease)/increase in cash and cash equivalents		**(54,654)**	(8,674)
Cash and cash equivalents at beginning of the period	14	**88,652**	87,780
ECL* of cash and cash equivalents		**25**	(223)
Effect of foreign exchange rate changes		**(192)**	(1,513)
Cash and cash equivalents at end of the period	14	**33,831**	77,370

*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 2023, the Company’s immediate parent company was Smart Energy (CY) Limited, which was 100% owned by Smart Holding (Cyprus) Limited, which was 100% owned by Proteas Trustees Ltd as trustee of the STEP Trust, and Proteas Trustee Services Ltd, Afroditi Loukaidou, Elena Iona and Charoula Sofokleous as trustees of the SMART Trust. Accordingly, the Company was ultimately controlled by Proteas Trustees Ltd as trustee of the STEP Trust, and Proteas Trustee Services Ltd, Afroditi Loukaidou, Elena Iona and Charoula Sofokleous as trustees of the SMART Trust.

The Group’s gas, condensate and LPG extraction and production facilities are located in Ukraine.

Impact of the ongoing war in Ukraine

On 24 February 2022, Russia commenced a military invasion of Ukraine, and since then there has been an ongoing war in Ukraine. Shortly after the invasion, the Ukrainian Government imposed martial law, and the corresponding introduction of related temporary restrictions that impact, amongst other areas, the economic environment and business operations in Ukraine. The war has caused significant economic challenges in Ukraine, which has led to a deterioration of Ukrainian State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

The war is continuing, causing very significant numbers of military and civilian casualties and significant dislocation of the Ukrainian population. 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.

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. Such measures have meant that commercial interbank quotes have remained close to the official 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 has taken 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 temporary easing of the tax regime until the end of martial law, including the suspension of tax audits and the cancellation of some 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’ is set at zero;
- 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 increase in the subsoil tax rate on natural gas production during martial law, which action 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 International Monetary Fund and European Bank for Reconstruction and Development, to support the economy and the population. Such financial support is critical for Ukraine to continue to service its debts in the foreseeable future.

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.

Overall, the final resolution and the ongoing effects of the war 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 14 December 2023, the official NBU exchange rate of the Ukrainian Hryvnia against the US Dollar was UAH37.0/$1.00, compared with UAH36.57/$1.00 as at 30 June 2023.

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 2023 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 2022 were approved by the Board of Directors on 20 December 2023 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 2022, 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 2022, 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 2023 or afterwards (these standards, amendments to standards and interpretations did not have a material impact on this unaudited interim condensed consolidated financial information):

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8: Definition of Accounting Estimates;

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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 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 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 of approval of these financial statements, no assets of the Group have been damaged, and the Group continues to operate its MEX-GOL and SV assets in the Poltava region, while its SC asset in the Poltava region and all production and field operations at the VAS asset located in the Kharkiv region are suspended. 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 of approval of these financial statements, the war has had, and continues to have, a material impact on the production and sales levels of the business and execution of the Group's 2023 budget.

The Group has no debt and funds its operations from its own cash resources. Cash and cash equivalents were $79.1 million as at 14 December 2023. 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 war 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 war 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 the impact on the expected cash flows of the Group and Company for 2023 and 2024. 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.

The Company's corporate strategy for the near term is to:

- continue production from MEX-GOL and SV licences, generating cash to cover Group costs and add to existing cash resources, whilst moderating development plans to reduce cash spend exposure whilst the war and operational/political issues continue;

- vigorously pursue legal initiatives to protect the Group's assets, restore all licences and production, and seek compensation for losses incurred to date and as may be incurred in the future; and

- tightly manage costs to ensure cash resources are maintained at levels capable of sustaining the business through the uncertainty that lies ahead.

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 war 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 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 $20.6 million as at 14 December 2023, 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 2022 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 2023 would be to increase it by $616,000 or decrease it by $277,000 (31 December 2022: increase by $1,394,000 or decrease by $626,000).

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 2023 (unaudited)

	Ukraine $000	**United Kingdom $000**	**Total $000**
Revenue			
Gas sales	**24,568**	**-**	**24,568**
Condensate sales	**3,736**	**-**	**3,736**
Liquefied Petroleum Gas sales	**4,833**	**-**	**4,833**
Total revenue	**33,137**	**-**	**33,137**
Segment result	**20,781**	**(146)**	**20,635**
Depreciation and amortisation of non-current assets	**(3,480)**	**-**	**(3,480)**
Operating profit			**17 155**
Segment assets	**170,674**	**22,222**	**192,896**
Capital additions*	**10,171**	**-**	**10,171**

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

Year ended 31 December 2022 (audited)

	Ukraine 2022 $000	United Kingdom 2022 $000	Total 2022 $000
Revenue			
Gas sales	109,461	-	109,461
Condensate sales	12,744	-	12,744
Liquefied Petroleum Gas sales	11,175	-	11,175
Total revenue	133,380	-	133,380
Segment result	84,750	(1,140)	83,610
Depreciation and amortisation of non-current assets	(7,837)	-	(7,837)
Operating profit			75,773
Segment assets	158,982	82,752	241,734
Capital additions*	19,807	-	19,807

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).

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 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Production taxes	**5,772**	12,931
Depreciation of property, plant and equipment	**3,163**	3,251
Rent expenses	**1,470**	5,440
Staff costs	**1,255**	1,217
Cost of inventories recognised as an expense	**837**	694
Transmission tariff for Ukrainian gas system	**174**	267
Amortisation of mineral reserves	**180**	227
Other expenses	**726**	1,663
	13,577	25,690

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

	6 months ended 30 Jun 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Interest income on cash and cash equivalents	**1,585**	536
Reversal of accruals	**331**	236
Contractor penalties applied	**1**	110
Other operating (losses)/income, net	**(639)**	(58)
	1,279	824

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

	6 months ended 30 Jun 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Charitable donations	**(2)**	(4,996)
Net foreign exchange gains/(losses)	**712**	(2)
Other income/(expenses), (net)	**70**	(229)
	(780)	(5,227)

7. Taxation

The income tax charge of $4,918,000 for the six month period ended 30 June 2023 relates to a current tax charge of $3,049,000 and a deferred tax charge of $1,869,000 (1H 2022: current tax charge of $8,682,000 and deferred tax charge of $1,726,000).

The movement in the period was as follows:

	6 months ended 30 Jun 23 (unaudited) $000	6 months ended 30 Jun 22 (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	**(3,232)**	(5,197)
Charged to Income Statement - current period	**(2,381)**	(1,740)
Effect of exchange difference	**-**	818
At end of the period	**(5,613)**	(6,119)
Deferred tax asset/(liability) recognised relating to development and production assets at VAS field and provision for decommissioning		
At beginning of the period	**287**	361
Credited to Income Statement - current period	**512**	14
Effect of exchange difference	**-**	-
At end of the period	**799**	375

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 2023 was 25% (1H 2022: 25%).

The deferred tax asset relating to the Group's provision for decommissioning at 30 June 2023 of $595,000 (31 December 2022: $449,000) 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 2023 of $6,208,000 (31 December 2022: $3,681,000) 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 2023 of $317,000 (31 December 2022: $310,000) 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 asset relating to the Group's development and production assets at the VAS field at 30 June 2023 of $482,000 (31 December 2022: The deferred tax liability of $23,000) 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 periods ended 30 June 2023 and 30 June 2022 and 320,637,836 ordinary shares, being the average number of shares in issue for the periods. There are no dilutive instruments.

9. Property, Plant and Equipment

	6 months ended 30 Jun 23 (unaudited)				6 months ended 30 Jun 22 (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	**135,255**	**13,093**	**1,968**	**150,316**	163,170	10,110	2,631	175,911
Additions	8,905	1,125	124	10,154	6,469	3,027	185	9,681
Change in decommissioning provision	-	-	-	-	(4,250)	(63)	-	(4,313)
Disposals	(204)	-	(28)	(232)	(57)	-	(25)	(82)
Exchange differences	-	-	-	-	(12,166)	(463)	857	(11,772)
At end of the period	**143,956**	**14,218**	**2,064**	**160,238**	153,166	12,611	3,648	169,425
Accumulated depreciation and impairment								
At beginning of the period	**73,108**	**1,677**	**1,275**	**76,060**	87,070	-	1,423	88,493
Charge for the period	3,047	-	135	3,182	3,362	-	158	3,520
Disposals	(86)	-	(10)	(96)	(21)	-	(22)	(43)
Exchange differences	-	-	-	-	(5,939)	-	(93)	(6,032)
At end of the period	**76,069**	**-**	**1,400**	**79,146**	84,472	-	1,466	85,938
Net book value at the beginning of the period	**62,147**	**11,416**	**693**	**74,256**	76,100	10,110	1,208	87,418
Net book value at end of the period	**67,887**	**12,541**	**664**	**81,092**	68,694	12,611	2,182	83,487

At 30 June 2023, an impairment indicator 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 23 (unaudited)				6 months ended 30 Jun 22 (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	**5,080**	**6,433**	**860**	**12,373**	6,810	8,651	752	16,213
Additions	**-**	**-**	**17**	**17**	-	-	43	43
Disposals	**-**	**-**	**(23)**	**(23)**	-	-	-	-
Exchange differences	**-**	**-**	**-**	**-**	(460)	(590)	(50)	(1,100)
At end of the period	**5,080**	**6,433**	**854**	**12,367**	6,350	8,061	745	15,156
Accumulated amortisation and impairment								
At beginning of the period	**2,925**	**-**	**454**	**3,379**	3,439	-	434	3,873
Amortisation charge for the period	**180**	**-**	**59**	**239**	224	-	113	337
Disposals	**-**	**-**	**(22)**	**(22)**	-	-	-	-
Exchange differences	**-**	**-**	**-**	**-**	(232)	-	(28)	(260)
At end of the period	**3,105**	**-**	**491**	**3,596**	3,431	-	519	3,950
Net book value at beginning of the period	**2,155**	**6,433**	**406**	**8,994**	3,371	8,651	318	12,340
Net book value at end of the period	**1,975**	**6,433**	**363**	**8,771**	2,919	8,061	226	11,206

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 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 2023, an impairment indicator 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 23 (unaudited) $000	31 Dec 22 (audited) $000
Trade receivables	**50,933**	46,188
Other financial receivables	**399**	284
Financial aids	**11,199**	11,316
Less credit loss allowance	**(514)**	(433)
Total financial receivables	**62,017**	57,355
Prepayments and accrued income	**231**	509
Other receivables	**2,241**	2,574
Total trade and other receivables	**64,489**	60,438

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 purchased all of the Group's gas production. The applicable payment terms, which were revised in the period, were payment for 35% of the monthly volume of gas by the 15th of the month following the month of delivery, and payment of the remaining balance by the end of that month (1H 2022: payment terms are payment for all of the monthly volume of gas by the 10th of the month following the month of delivery). This arrangement has now been terminated, and all outstanding sums have been received from LLC Smart Energy.

12. Provision for Decommissioning

	6 months ended 30 Jun 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
At beginning of the period	**6,964**	5,467
Amounts provided	**-**	-
Unwinding of discount	**166**	160
Change in estimate	**-**	(4,313)
Effect of exchange difference	**-**	(321)
At end of the period	**7,130**	993

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 $7,130,000 (31 December 2022: $6,964,000) 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.

13. Other non-current liabilities

Other non-current liabilities as at 30 June 2023 and 31 December 2022 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 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 23 (unaudited) $000	31 Dec 22 (audited) $000
Financial assets		
Cash and cash equivalents	**33,831**	88,652
Trade and other receivables	**62,017**	46,039
	95,848	134,691
Financial liabilities		
Lease liabilities	**391**	487
Trade and other payables	**2,160**	1,079
Other financial liabilities	**20,087**	20,422
	22,638	21,988

At 30 June 2023, the Group held cash and cash equivalents in the following currencies:

	30 Jun 23 (unaudited) $000	31 Dec 22 (audited) $000
US Dollars	**21,273**	81,274
Ukrainian Hryvnia	**12,052**	6,882
British Pounds	**237**	223
Euros	**268**	273
	33,831	88,652

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 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Operating profit	**17,155**	48,934
Depreciation and amortisation	**3,589**	3,882
Less interest income recorded within operating profit	**(1,585)**	(536)
Fines and penalties received	**(1)**	(110)
Net (gain)/loss on sale of non-current assets	**(3)**	(1)
Decrease in provisions	**25**	(228)
Increase in inventory	**709**	(497)
Increase in receivables	**(3,583)**	(36,354)
(Decrease)/increase in payables	**(3,953)**	(2,589)
Cash generated from operations	**12,353**	12,501

16. Contingencies and Commitments

Amounts related to works contracted but not yet undertaken in relation to the Group's 2023 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 2023, were $145,000 related to Oil and Gas Exploration and Evaluation assets and $2,344,000 related to Oil and Gas Development and Production assets (31 December 2022: $156,000 and $8,607,000 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 UAH 8,487,000 ($302,000) 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 respectively, the Group received positive decisions in the first and second instance courts, but no appointment of hearings has been settled yet. No liability has been recognised in these consolidated financial statements for the year ended 30 June 2023 (31 December 2022: nil), as the Group has 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 management believes that adequate defences exist to the claim.

In March 2019, the State Geologic and Subsoil Survey of Ukraine published an Order for suspension dated 11 March 2019 (the "VAS Order") in respect of the VAS production licence held by LLC Prom-Enerho Produkt ("PEP"). PEP disputed the VAS Order and issued legal proceedings in the Ukrainian Courts to challenge the VAS Order, and these legal proceedings progressed through the various levels of the Ukrainian Court system, with PEP being successful at each level. The proceedings ultimately reached the Supreme Court of Ukraine, which, by a decision dated 23 February 2023 upheld PEP's appeal and cancelled the VAS Order. The Supreme Court is the final appellate court in the legal proceedings and therefore this decision is final.

In September 2021, an entity named JV Boryslav Oil Company ("Boryslav"), which is 25.0999% owned by PJSC Ukrnafta ("Ukrnafta"), issued legal proceedings, claiming that irregular procedures were followed in the grant of the SC exploration licence, against the State Geologic and Subsoil Survey of Ukraine, the State Commission of Ukraine for Mineral Resources and LLC Arkona Gas-Energy (“Arkona”), as defendants, with Ukrnafta named as a third party. In this claim, the First Instance Court in Ukraine made a ruling in January 2022 in favour of Boryslav, and on 2 November 2022, the Appellate Administrative Court also made a ruling in favour of Boryslav to uphold the decision of the First Instance Court. Arkona appealed the decision of the Appellate Administrative Court to the Supreme Court, and on 3 May 2023, the Supreme Court published its decision to allow Arkona’s appeal and overturn the ruling made by the Appellate Administrative Court. The Supreme Court represents the final appellate court in these legal proceedings, and accordingly, the decision of the Supreme Court is final.

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 2023 was $407,000 (1H 2022: $583,000, and year ended 31 December 2022: $1,325,000).

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 23 (unaudited) $000	6 months ended 30 Jun 22 (unaudited) $000
Sale of goods/services	**19,410**	63,182
Purchase of goods/services	**348**	515
Amounts owed by related parties	**55,719**	39,059
Amounts owed to related parties	**185**	627

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.

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 ongoing war in Ukraine means that the fiscal, economic and humanitarian situation in Ukraine is unstable and extremely challenging and the final resolution and consequences of the ongoing war are hard to predict, but they may have a further serious impact on the Ukrainian economy and business of the Group. Management continues to identify and mitigate, where possible, the impact on the Group, but the majority of these factors are beyond their control, including the duration and severity of war, as well as the further actions of various governments and diplomacy.

In July 2023, new legislation was introduced in Ukraine, which will come into force in September 2024, and which requires that branches (or representative offices) of foreign companies operating in Ukraine register their ultimate beneficial owners in Ukrainian Registries. Regal Petroleum Corporation Ltd ("RPC"), which holds the MEX-GOL and SV licences, operates such a branch and will therefore be required to register its ultimate beneficial owners from the implementation of this law, which raises a potential risk that such registration will not be accepted by the Ukrainian authorities, and possibly result in regulatory action against RPC and/or its licences and assets, including suspension of the MEX-GOL and SV licences.