CADOGAN
PETROLEUM PLC

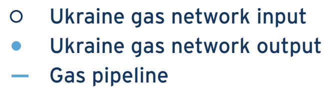
ANNUAL FINANCIAL REPORT 2013

Cadogan Petroleum plc is an independent oil and gas exploration, development and production company with onshore gas, condensate and oil assets in Ukraine.

Key developments during 2013:

- In Pokrovskoe Field, new prospects have been identified in the Permian formation and Upper Carboniferous
- Borynya 3 well re-entered and tested with promising results
- Significant, further reductions to the Company's cost base to maintain financial strength pending results from operations
- Monastyretska production back up to previous levels and expected to rise further
- $29.5 million received in full and final settlement of the GPS litigation.
- Net cash and cash equivalents at year-end of $56.5 million (2012: $40.5 million) excluding $0.2 million (2012: $0.7 million) of Cadogan's share of cash and cash equivalents in joint ventures. Cash and cash equivalents at 28 April of $47.8 million excluding $1.4 million of Cadogan's share of cash and cash equivalents in joint ventures and excluding $5.3 million of yield-generating fixed income investments.

Group Overview



The Group's assets are located in two of the three proven hydrocarbon basins in Ukraine, the Dniper-Donets basin and the Carpathian basin.

1. Zagoryanska field
The Zagoryanska licence covers an area of 49.6 square kilometres. Five wells have been drilled to date in the field. Wells in the field encountered gas in the Upper and Lower Visean and Tournaisian reservoirs, and in one well hydrocarbons have been encountered in the Devonian reservoir. Reservoir depths vary from 4,500 to 5,500 metres.

On 6 July 2011 Eni S.p.A ("Eni"), the major Italian integrated energy company acquired a 60% interest in the licence.

Following the mechanical failure in the Zag 3 production tubing a work-over to open new intervals was completed but commercial production was not achieved due to formation low permeability. A work-over activity on Zag 2 well started in November and is still continuing.

As at 31 December 2012 and 2013 the Group assessed the recoverability of the carrying value of the development and production assets related to the Zagoryanska licence. This has resulted in the impairment of the mentioned assets to nil.

2. Pokrovskoe field
The Pokrovskoe licence area covers 49.5 square kilometres and is located in the Dnieper-Donets basin. The Pokrovskoe field is approximately 10 kilometres from the UkrTransGas system. On 6 July 2011 Eni acquired a 30% interest in the licence. The work obligations on the licence have been fulfilled.

Following the 3D seismic interpretation, new prospects have been identified in the Permian formation and Upper Carboniferous.

3. Pirkovskoe field
Pirkovskoe is adjacent to the Group's Zagoryanska licence. The exploration and appraisal licence covers 71.6 square kilometres and holds 2.5 million barrels of oil equivalent ('mmboe') of Proved and Probable ('2P') Reserves and 138.2 mmboe of 2C Contingent Resources. Cadogan owns the Krasnozayarska gas treatment plant, on the Pirkovskoe licence area, which is connected to the UkrTransGas system.

A work-over activity on Pirk 1 well started in October 2013 and is still continuing. 3D seismic reinterpretation is ongoing.

4. Borynya and Bitlya fields
The Bitlyanska exploration and development licence covers an area of 390 square kilometres, tectonically belonging to the Krosno zone of the folded Carpathians and includes the Bitlya, Borynya and Vovchenska areas. The Bitlya and Borynya areas are approximately 9 kilometres apart and both fields are close to the UkrTransGas pipeline at Turka, approximately 15 kilometres away. The Borynya and Bitlyanska fields hold 219.2 mmboe (100 per cent – 2012: 219.2 mmboe) and 117.3 mmboe (100 per cent – 2012: 117.3 mmboe) of Contingent Resources respectively, while no Reserves and Resources have been attributed to the depleted Vovchenska field.

Borynya 3 well was re-entered and tested in the Krasno 1 interval with promising results. The decision was made to put fracturing job on hold due to lack of data from the previous drilling activity.

5. Minor fields
Cadogan owns exploration, development and production licences either directly or through subsidiaries or joint ventures in several minor fields, of which two are currently in commercial production (Debeslavetska and Cheremkhivska) and one (Monastyretska) is in pilot commercial development.

Strategic Report

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform members of the Company and help them assess how the Directors have performed their legal duty under Section 172 of the Act to promote the success of the Company.

Our consistent business model

We aim to increase value through:

- Our unique expertise and knowledge of both the Ukrainian market and best Western practices;
- Having very disciplined investment process with capital used as underwriting capital to farm-out;
- Focusing our stand-alone drilling or workover activities to lower risk initiatives with limited capital commitment until we obtain success in generating new or increased production; and
- Obtaining a high return on cash to achieve material impact on the company's profitability or cash flow focusing on yield-generating fixed income investments, within the company's or its management's areas of expertise.

Principal activity and status of the Company

The Company is registered as a public limited company (registration number 05718406) in England and Wales. Its principal activity is oil and gas exploration, development and production.

The Company's shares have a standard listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

Chairman's Statement

2013 saw the continuation of operations as planned on the Company's assets in the East and the West of the Country while significant, further reductions have been made to the Company's cost base to maintain its financial strength pending results from operations. Revenue, largely reflecting production from the Group's Cheremkhivska and Debeslavetska fields and services provided to third parties was stable at the level \$3.8 million. The loss before tax was \$14.4 million (2012: \$92.4 million).

At 31 December 2013 the Group had cash and cash equivalents of \$56.5 million.

Operations

As anticipated, the principal focus for 2013 was to reduce the risk of present and anticipated operations while maximising the potential existing production potential. With workover activity on Zag 2 having commenced in November 2013, new prospects having been identified in Pokrovskoe following 3D seismic interpretation and continuing workover activity on Pirk 1 since October 2013 with so far promising indications, the de-risking targets set for our technical operations and sub-surface explorations teams have largely been met. Borynya 3 has thus far proved disappointing with lack of data from previous drilling activities having hampered our current efforts. However, we remain confident in its potential value and our assessment work continues. Production has increased moderately in Debeslavetska while potential gas production from Cheremkhivska appears promising at this stage. In Monastyretska production is now back up to 25 bopd and expected to rise further. The re-evaluation of the Groups' assets continues and we remain positive in our outlook.

The Board

There were no changes to the Board during the year, reflecting a year of internal stability as we continue to reshape the Group. The presence of a high-quality, experienced Board able and available to steer the Group through challenging and occasionally volatile periods should not be taken lightly and I wish to thank all the Board members for their continuing efforts on behalf of the Company.

The Company is committed to acting professionally, fairly and with integrity in all of its dealings and relationships wherever it operates, and to implementing and enforcing effective systems to counter bribery and corruption in all its forms. The Board recently undertook an update to all our policies, statements and programmes entitled, "Working with Integrity". All policies have been disseminated to staff and are available to view on the Company's website. Our adherence to the principles contained in these policy documents remains unshakeable and I would urge shareholders to review these.

Recent Political Developments

At the outset of this Report, I wish to state the great personal pride I have taken in the performance and dedication of our employees and senior management based in Kiev and across the regions, during this very difficult period for Ukraine and its people. It is people, not bricks and mortar, which make a company. The continuing bravery, honesty and commitment of our employees in such turbulent times do them and, by extension, the Company, great credit.

The Company is an apolitical organisation that will always support the democratic process in the countries in which it operates. As stated in our "Working with Integrity" policy documents, we stand for the principles of greater transparency and the highest standards of corporate governance. These overriding principles form the framework for our relations and relationships with all governmental and non-governmental institutions both within Ukraine and elsewhere.

Ukraine is and always has been, a bridge between East and West, with a rich and diverse cultural history. It is now nine years since our activities in Ukraine first began and the country continues to fascinate all of us at the Company, driving us to continue to make a success of our operations and forge closer relationships in Ukraine.

Strategy and Prospects

Following any period of uncertainty comes the certainty of opportunity, and recent events in Ukraine have provided many opportunities for the Company. While the Board continues to develop further relationships and opportunities overseas, our established presence in Ukraine, our skilled staff both in Kiev and also in the east and west of the country and our adherence to the highest standards of corporate governance, give us the opportunity to act as a beacon for western industrials and industry standards. We believe that the Company is uniquely placed to afford such companies an opportunity to commence or expand their presence in Ukraine in a secure environment working alongside people who know and understand the country, its people and its culture.

We look forward to an exciting and successful 2014 for both the Company and the people of Ukraine.

Annual General Meeting

I look forward to meeting shareholders at the Company's Annual General Meeting to be held at 10.30am on Monday 23 June 2014 at Chandos House, 2 Queen Anne Street, London W1G 9LQ.

Zev Furst
Non-executive Chairman
28 April 2014

Strategic Report continued

Chief Executive Review

Chief Executive Officer's Report

2013 has been another challenging year for Cadogan. Results from oil and gas operations and activities have so far not, in general, met expectations. However, while this and the political events of the last few months have added an unhelpful layer of complexity to the execution of our strategy, these circumstances should not overshadow other, tremendous achievements. In particular our continued balance sheet recoveries have increased Cadogan's financial strength despite the negative cash flow of our core business. This positions us to take full advantage of the unprecedented opportunities in the following quarters that we believe will follow the current political upheavals, as Ukraine gets an increased focus and support from the international community.

Core Operations

This year's purposely limited workover activity in the Zagoryanska, Bitlyanska and Monastyretska licenses has not yet delivered the expected results despite some success in Blazh-1. This has led management to implement further cuts to our cost base at the end of 2013 and beginning of 2014 that should materially reduce the G&A figures in 2014. Our continuous efforts in seismic acquisition and interpretation across all our licenses have allowed Cadogan to achieve a more systematic understanding of the potential of its resources, as well as identifying promising new horizons. The Company's strategy of focusing its stand-alone drilling or workover activities to lower risky initiatives with limited capital commitment will be intensified, until it obtains success in generating new or increased production. The main, low-cost project currently underway is the targeting of shallow horizons across several of our Western licenses and drilling of the first well in Deb is expected this summer. For this upcoming well, as well as future shallow wells, Cadogan's ability to use its own rig will keep capital expenditures moderate. The activities requiring larger risk or capital commitment in comparison with the company's current financial resources will for now remain conditional on farm-out agreements.

The shale gas project with WGI has been progressing and the planning on the first exploratory well is now at an advanced stage, although we may anticipate some delay to drilling operations as a consequence of the unstable political situation.

Non-Core Business

While the company progresses carefully and assesses its options in its core business, we have put an increased emphasis on non-core activities as a means to stabilise the company's cash flows. Management has worked hard to strike a balance between shrinking our costs and maintaining our presence in and commitment to, Ukraine while finding alternative ways to compensate for low oil and gas sales from production. After only two years since its launch and without the need for any meaningful investment, our service subsidiary, Astro Service, has produced more than a third of our revenues in 2013 and should continue its progression in 2014. The company also commenced at the end of 2013 a physical gas trading activity that has produced limited revenues so far but opened up new horizons that we hope will enable us to exploit significant market distortions in the future. Finally, Cadogan is increasingly proactive in prudent management of its cash balance, given its size in comparison with its current revenues and P&L and the skill-set of several senior executives within the Group. Conservative use of this cash will maximize its utility and availability for a significant period as the company continues to explore its strategic options in oil and gas. Obtaining a proper return on this cash should therefore be an important objective with material impact on the company's profitability or cash flow. Management believes that the main focus of this activity should be on yield-generating fixed income investments, within the company's or its management's areas of expertise.

It is the management's goal to achieve a recurrent positive cash flow in 2014 regardless of success in the core E&P activity thanks to the contribution of non-core service, trading and investment activities in addition to cost reduction initiatives. Management expects to monetize further balance sheet recoveries in 2014 to complement the cash generation from core and non-core activities, principally relating to existing, complex tax claims receivables.

Outlook

Ukraine has never been more relevant on the world geopolitical map and Cadogan management continues to believe that it is ideally placed, thanks to its ongoing efforts to maximize its resources while minimizing costs, to turn this opportunity into value for shareholders.

Bertrand des Pallieres
Chief Executive Officer
28 April 2014

Operations Review

In 2013 the Group held working interests in nine conventional (2012: nine) gas, condensate and oil exploration and production licences in the East and West of Ukraine. All these assets are operated by the Group and are located in either the Carpathian basin or the Dnieper-Donets basin, in close proximity to the Ukrainian gas distribution infrastructures. The Group's primary focus during 2013 was on the four biggest licences in which the main reserve and resource potential is located: Zagoryanska, Pokrovskoe, and Pirkovskoe in the Dnieper-Donets basin of East Ukraine and Bitlyanska, in the Carpathian Basin of West Ukraine.

Summary of the Group's licences (as at 31 December 2013)

Working interest (%)	Licence	Expiry	Licence type [1]
Major licences			
40.0	Zagoryanska	April 2014[3]	E&D
70.0	Pokrovskoe	August 2016	E&D
100.0	Pirkovskoe	October 2015	E&D
99.8	Bitlyanska	December 2014[3]	E&D
Minor licences			
99.2	Debeslavetska[2]	November 2026	Production
99.2	Debeslavetska[2]	September 2016	E&D
53.4	Cheremkhivska[2]	May 2018	Production
100.0	Slobodo-Rungerska	April 2016	E&D
99.2	Monastyretska	November 2014[3]	E&D

(1) E&D = Exploration and Development.
(2) Debeslavetska and Cheremkhivska licences are held by WGI, in which the Group has a 15% interest. The Group has 99.2% and 53.4% of economic benefit in conventional activities in Debeslavetska and Cheremkhivska licences respectively through Joint Activity Agreements ("JAA").
(3) License extension process is ongoing

In addition to above licences the Group has a 15% interest in Westgasinvest LLC ("WGI"), which holds the Reklynetska, Zhuzhelianska, Cheremkhivsko-Strupkivska, Debeslavetska Exploration, Debeslavetska Production, Baulinska, Filimonivska, Kurinna, Sandugeyivska and Yakovlivska licences for unconventional activities.

Strategic Report continued

Operations Review continued

Zagoryanska licence
The Group has a 40 per cent working interest in the Zagoryanska licence area. The Zagoryanska licence previously reported 96.4 mmboe of contingent resources but, in light of the 2012 drilling campaign and a recent expert review carried out in Kiev by Brand Vick, the total contingent resources (gas and condensate) (2C) have been reduced to 7.7 mmboe.

The exploration and development licence covers 49.6 square kilometres and in 2009 the licence was extended until April 2014. The work obligations have been fulfilled.

Following the joint venture ("JV") formed with Eni in July 2011, under which Eni acquired a 60 per cent interest in the Zagoryanska licence, a work-over and drilling plan was implemented to verify and exploit the potentially productive intervals.

The work over in the wells Zag 1, 2, and 8 did not bring to commercial production.

The well Zag 3 was worked over after a mechanical failure, the V19 and V18 intervals were perforated, lifted and tested but no commercial production was achieved.

The Zag 11 well drilling assessed and tested the V24, V23, V19, and V18 intervals. Hydrocarbons were proven but with no commercial flow.

As at 31 December 2012 the Group assessed the recoverability of the carrying value of the development and production assets related to the Zagoryanska licence. This has resulted in the impairment of the mentioned assets to nil (for details refer to Note 4(b) of the Consolidated Financial Statements).

An extensive revision and reinterpretation of the 3D seismic and Geological and Geophysical ("G&G") studies to value and price all the possible reserves potential is still ongoing.

Zag 3 for V18 and V19 perforation and nitrogen lifting did not bring to commercial production results.

Zag 2 for V17 perforation and nitrogen lifting did not bring to commercial production results. A coiled tubing intervention is planned.

Zag 1 and Zag 11 wells are under evaluation for possible work-over intervention.

Pokrovskoe licence
The Group holds a 70 per cent working interest in the Pokrovskoe licence. Prospective resources reported by GCA at the end of December 2009 were 51.1 mmboe.

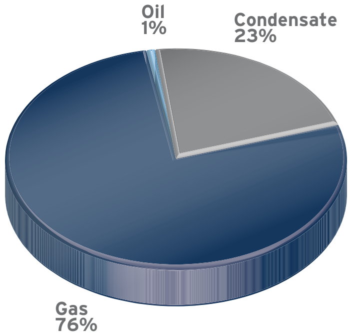
The exploration licence covers 49.5 square kilometres and the initial licence was extended until August 2016.

After the JV with Eni, that acquired 30 per cent of the Group's Pokrovskoe licence, the drilling of the Pokrovskoe 2a well indicated the presence of hydrocarbons in the deeper Tournasian levels, beneath both the Pokrovskoe 1 and Pokrovskoe 2 wells, but due to mechanical problems the well was suspended with a future option of re-entry.

On 9 March 2012 the Group was advised by Eni that, following their analysis of the results for the Pokrovskoe 1 and Pokrovskoe 2a wells, they did not intend to exercise the option to acquire the additional 30 per cent. Notwithstanding Eni's decision not to exercise the option, Eni continues to hold a 30 per cent share in the Pokrovskoe licence.

On the basis of the previous results and the clear indication of the presence of a positive hydrocarbons generation and migration system, it was decided to continue the investigation of the area. The thorough 3D seismic re-interpretation has been successfully concluded for the relative shallow horizons. One drillable new prospect in the Permian formation (about 2,200m deep) and other two leads in the moderately deeper horizons have been identified.

Portfolio composition (2P case)



Pirkovskoe licence
The Group has a 100 per cent working interest in the Pirkovskoe licence which holds 2.5 mmboe of 2P Proven and Probable Reserves (2012: 2.5 mmboe) and 138.2 mmboe of 2C Contingent Resources. This exploration and appraisal licence covers 71.6 square kilometres and expires October 2015.

The remaining work programme includes: (a) the testing of Pirkovskoe 1, which is ongoing; (b) deepening to 5,450 metres and testing of the suspended Pirkovskoe 2 well; (c) the drilling of a new well; and (d) calculation of the potential hydrocarbon reserves.

The Pirkovskoe 2 well is currently suspended. The revision and reinterpretation of the 3D seismic and G&G studies is still ongoing to value and price all the possible reserves potential.

The Group owns the Krasnozayarska gas treatment plant located in the Pirkovskoe licence area, which is connected to the UkrTransGas system and is continuing the service contract with a nearby local operator.

Reserves and resources (mmboe)

The work-over in Pirk 1 started in October 2013 with the objective to perforate V17 interval, lifting and testing. Results were encouraging but no sustainable production with gas and liquid hydrocarbon was achieved. Operations are still ongoing.

Bitlyanska licence area

The Bitlyanska exploration and development licence covers an area of 390 square kilometres with the Group's interest at 99.8 per cent. There are three hydrocarbon discoveries in this licence area, namely Bitlyanska, Borynya and Vovchenska. The Borynya and Bitlyanska fields hold 219.2 mmboe (gross) (2012: 219.2 mmboe) and 117.3 mmboe (gross) (2012: 117.3 mmboe) of Contingent Resources respectively, while no Reserves and Resources have been attributed to the depleted Vovchenska field.

In the 1970s drilling of the Borynya 1 resulted in a blow out and Borynya 2 reportedly tested gas at very high rates. In 2009 Cadogan drilled the Borynya 3 well down to 5,325m, proximal to these two Soviet era wells, suspended due to very highly pressured gas bearing zones. Several intervals showed very interesting evidence of gas during drilling, confirmed by logging. Due to the difficult operations' conditions, three very limited open hole drill stem tests were run. In particular, from one of the secondary reservoir targets at around 3,600m gas was tested at a maximum flow rate of 128,000 cubic metres per day. In 1994 the Bitlya 1 well tested non-commercial gas from several zones down to 3,200 metres. Although, at that time, the presence of an active hydrocarbon system was established, the recent 2D seismic data interpretation demonstrates that the well was poorly located in relation to any structural closure.

In 2010 a 2D survey was completed in the southern part of the licence area to complement the Soviet era 2D seismic data that had been reprocessed by Cadogan. This integrated data set has been interpreted with the benefit of recent surface geological mapping and balanced section generation, and a series of prospects for future exploration drilling have been identified.

Based on the new prospect structures model, and internal re-evaluation, 430 mmboe of contingent resources have been estimated (p50) in house.

Borynya 3 well has been re-entered and tested in two Krosno 1 intervals (2685-2745m and 2890m- 2935m) with interesting flows of gas, condensate and oil. The planned fracturing job remains on hold because the engineering study was inconclusive due to essential information not being available from the previous drilling data collection; a way forward is under evaluation and the deeper horizons will be considered.

The planned vintage seismic lines in the Vovchenska area were purchased and interpreted; a new additional seismic program has been prepared to define possible prospective areas.

The remaining work obligations for this licence are under re-negotiation.

Minor fields

The Group has a number of minor licence areas located in Western Ukraine. These include the following:

- Debeslavetska Production licence area

A production licence containing 0.860 mmboe of Proved Reserves (2012: 0.845 mmboe). The field is currently producing 95.0 boepd (2012: 84.0 boepd). New compressor unit and dehydration facilities for production optimisation have been installed as per the programme and are contributing to energy and emissions saving in 2013.

- Debeslavetska Exploration licence area

An exploration licence surrounding the Debeslavetska Production licence area which is considered quite promising in shallow gas production potential following the positive preliminary results of Amplitude versus Offset ("AVO") and Inversion Analysis. The purchase of vintage seismic data was completed in 2013. The acquisition of 100 linear kilometres of 2D seismic lines is in progress, expected to be completed in April 2014. One shallow well is approved for drilling from July 2014, a second one is contingent. A geomechanical model from satellite data, using the "InSar" technologies, will be applied to understand and predict the gas depletion in the area for better wells location identification.

- Cheremkhivska Production licence area

A production licence containing 0.038 mmboe of proved reserves (2012: 0.029 mmboe). This licence is currently producing 23.9 boepd (2012: 32.8 boepd).

Potential gas production from shallow intervals seems to be promising from this licence. Preliminary studies have not yet been conclusive. Vintage seismic data were purchased. Acquisition of 30 linear kilometres of 2D seismic lines to assess and estimate the reserves will be considered in 2014.

- Slobodo-Rungerska licence area

An exploration and development licence, with no booked Reserves and Resources (2012: nil). Seismic data for this area was reprocessed in 2010 and the results indicate a deeper structure underlying the depleted and abandoned Slobodo-Rungerska Field. The ongoing re-evaluation of the block has identified 6.7 mmboe of oil prospective resources (best estimate), further petrophysical and reservoir studies are currently underway.

- Monastyretska licence area

An exploration and development licence, with no booked Reserves or Resources (2011: nil). The Blazhiv 1 well was re-entered during the year.

After the formation cleaning performances deteriorated from 20-25 to 10-15 bopd. It was decided to clean the formation with a light acid chemical that is showing good results. The well is now spontaneously producing at a rate of 25 bopd and sucker rod pump is going to be installed. Expected production is 40 bopd.

The other two presently shut-in wells could be suitable for intervention and are under evaluation.

Strategic Report continued

Financial Review

Overview
In 2013 the Group focused on the operations in west Ukraine on Borynya 3 well, re-interpretation of the existing seismic, and preparation for the seismic acquisition in the selected western assets.

Revenue was stable at the level of $3.8 million; however the sales mix has changed from that in 2012. Sales of hydrocarbons have decreased from $3.0 million to $2.5 million due to decreasing production volumes at Debeslavetska and Cheremkhivska fields. Revenue from service business has increased from $0.8 million to $1.3 million. The cash position of $56.5 million at 31 December 2013 has increased from $40.5 million at 31 December 2012 mainly due to receivable from Global Process Systems ("GPS") paid in April 2013.

Income statement
Loss before tax was $14.4 million (2012: $92.4 million). Revenues of $3.8 million (2012: $3.8 million) comprised sales of gas from the Debeslavetska and Cheremkhivska fields, and revenue from the service business. Cost of sales, which represents production royalties and taxes, depreciation and depletion of producing wells and direct staff costs increased to $3.0 million in 2013 from $2.6 million in 2012 to give a gross profit of $0.8 million (2012: $1.1 million).

- Other administrative expenses of $8.9 million (2012: $7.5 million) comprise other staff costs, professional fees, Directors' remuneration and depreciation charges on non-producing property, plant and equipment. In addition to recurring administrative expenses, $0.5 million (2012: $0.5 million) of professional costs were incurred in relation to litigation and $0.5million (2012: nil) of shortfall between the receivable from GPS and the amount of settlement.
- Share of losses in joint ventures of $6.7 million (2012: $58.3 million), represents the loss from the operations of joint ventures, which have been consolidated using equity method. This comprised of loss of i) $2.8 million from operations on Zagoryanska license of which $0.4million is the foreign exchange loss on the loans to Cadogan Group, ii) loss of $3.4 million from operations on Pokrovska license of which $2.3 million is the foreign exchange loss on the loans to Cadogan Group, and iii) loss of $0.5 million from operations of Westgasinvest LLC.
- Other operating expenses of $0.3 million (2012: $2.9 million) includes $0.3 million of net foreign exchange losses (2012: $3.6 million) related to the revaluation of USD denominated monetary assets of the Group's UK entities which have GBP as the functional currency.

Cash flow statement
The Consolidated Cash Flow Statement on page 44 shows cash from operations of $24.0 million (2012: cash used in operations of $0.5 million) which related mainly to receivable from GPS of $30.0 million, $29.5 million of which has been recovered under the settlement in April 2013. In addition, the Group has incurred capital expenditure of $3.0 million (2012: $0.1 million) on intangible Exploration and Evaluation ("E&E") assets and $0.8 million (2012: $1.1 million) on Property, Plant and Equipment ("PP&E"). In 2013 the Group invested into joint ventures $4.7 million (2012: $22.5 million), mainly to cover the historical capex incurred in 2012 and to repay the operating service charges to Cadogan as the operating services provider.

Balance sheet

As at 31 December 2013, the Group had net cash and cash equivalents of $56.5 million (2012: $40.5 million). Intangible E&E assets of $6.0 million (2012: $3.0 million) represent the carrying value of the Group's investment in exploration and appraisal assets as at 31 December 2013. The PP&E balance of $43.9 million at 31 December 2013 (2012: $46.4 million), reflects the cost of developing fields with commercial reserves and bringing them into production. Investments in joint ventures of $65.9 million (2012: $67.9 million) mainly represents the carrying value of the Group's investment into Pokrovska licenses and Westgasinvest LLC (costs related to Zagoryanska license have been fully impaired), which are accounted for in accordance with IFRS 11 using the equity method (for details please see Note 19). Trade and other receivables of $6.9 million (2012: $39.6 million) includes $4.1 million (2012: $6.9 million) receivable from joint ventures in respect of management charges, loan issued to Oil and Gas Management Services Group Limited ("OAGSG") of $1.6 million, VAT recoverable of $0.3 million (2012: $0.1 million) in respect to VAT arose at UK companies, and $0.4 million (2012: $0.8 million) in prepayments.

Key performance indicators

The Group monitors its performance in implementing its strategy with reference to clear targets set out for four key financial and one key non-financial performance indicators ('KPIs'):

- to increase oil, gas and condensate production measured on number of barrels of oil equivalent produced per day ('boepd');
- to increase the Group's oil and gas reserves by de-risking possible resources and contingent reserves into 2P Reserves. This is measured in million barrels of oil equivalent ('mmboe');
- to increase the realised price per 1,000 cubic metres;
- to increase the Group's basic and diluted earnings per share; and
- to maintain no lost time incidents.

The Group's performance in 2013 against these targets is set out in the table below, together with the prior year performance data. No changes have been made to the source of data or calculation used in the year.

	Unit	2013	2012
Financial KPIs			
Average production (working interest basis)(1)	boepd	**88**	181
2P reserves(2)	mmboe	**2.6**	2.6
Realised price per 1,000 cubic metres(3)	$	**483.8**	486.0
Basic and diluted loss per share(4)	cents	**(6.4)**	(40.1)
Non-financial KPIs			
Lost time incidents(5)	incidents	**0**	0

(1) Average production is calculated as the average daily production during the year.
(2) Quantities of 2P reserves as at 31 December 2012 and 2013 are based on Gaffney, Cline & Associates' independent reserves report on 2P Reserves as at 31 December 2009, dated 16 March 2010, as adjusted for the actual production during 2012 and 2013 respectively.
(3) This represents the average price received for gas sold during the year (including VAT).
(4) Basic and diluted profit per Ordinary share is calculated by dividing the net profit for the year attributable to equity holders of the parent company by the weighted average number of Ordinary shares during the year.
(5) Lost time incidents relate to injuries where an employee/contractor is injured and has time off work.

Related party transactions

Related party transactions are set out in note 29 to the Consolidated Financial Statements.

Treasury

The Group continually monitors its exposure to currency risk. It maintains a portfolio of cash and cash equivalent balances mainly in US dollars ('USD') held primarily in the UK. Production revenues from the sale of hydrocarbons are received in the local currency in Ukraine ('UAH'), however the hydrocarbon prices are linked to the USD denominated gas and oil prices. To date funds from such revenues have been held in Ukraine for further use in operations rather than being remitted to the UK. Funds are transferred to the Company's subsidiaries in USD to fund operations at which time the funds are converted to UAH.

Strategic Report continued

Risks and Uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the Group's long-term performance and could cause the actual results to differ materially from expected and historical results. Executive management review the potential risks and then classify them as having a high impact, above $5 million, medium impact above $1 million but below $5 million, and low impact below $1 million.

They also assess the likelihood of these risks occurring. Risk mitigation factors are reviewed and documented based on the level and likelihood of occurrence. The Audit Committee reviews the risk register and monitors the implementation of improved risk mitigation procedures via Executive management.

The Group has analysed the following categories as key risks:

Operational risks

Risk	Mitigation
Health, Safety and Environment ("HSE") The oil and gas industry by its nature conducts activities which can be seriously impacted by health, safety & environmental incidents. Serious incidents can have not only a financial impact but can also damage the Group's reputation and the opportunity to undertake further projects.	The Group maintains HSE system in place and demands that management, staff and contractors adhere to it. The system ensures that the Group meets Ukraine legislative standards in full and achieves international standards to the maximum extent possible.
Drilling operations The technical difficulty of drilling wells in the Group's locations and equipment limitations can result in the unsuccessful completion of the well.	The incorporation of detailed sub-surface analysis into a robust engineered well design and work programme, with appropriate procurement procedures and on site management competence aims to minimise risk.
Production and maintenance Some of the Group's facilities have been inherited, and although fully checked were not installed under our supervision and there is a risk of plant failure. There is a risk that production or transportation facilities can fail due to poor performance of the Group's suppliers and control of some facilities being with other governmental or commercial organisations.	All plants are operated at standards above the Ukraine minimum legal requirements. Operative staff is chosen for its experience and receives supplemental training to ensure that facilities are operated and maintained at a high standard. Service providers are rigorously reviewed at the tender stage and are monitored during the contract period.
Work over and abandonment Certain of the Group's wells were drilled by the State and other private companies and will be worked over. There is a risk that Cadogan's activities fail because of problems inherited with these sites. Any well stock that is not considered satisfactory for purpose or poses an environmental hazard will need to be abandoned.	Work programmes are designed to assess the status of the wells and any work that is not safe or is not technically feasible will be abandoned. Qualified professionals will be used to design a step-by-step approach to re-entering old wells. All sites that are abandoned will be restored and re-cultivated to meet or exceed standards required by the relevant environmental control authorities and in compliance with recognised international standards.

Sub-surface risks

Risk	Mitigation
The success of the business relies on accurate and detailed analysis of the sub-surface. This can be impacted by poor quality data, either historic or recently gathered, and limited coverage. Certain information provided by external sources may not be accurate.	All externally provided and historic data is rigorously examined and discarded when appropriate. New data acquisition is considered and appropriate programmes implemented, but historic data can be reviewed and reprocessed to improve the overall knowledge base.
Some local contractors may not acquire data accurately, and there is frequently limited choice of locally available equipment or contractors of a desirable standard.	Detailed supervision of local contractors by Cadogan management is followed. Plans are discussed well in advance with both local and international contractors in an effort to ensure that appropriate equipment is available.
Data can be misinterpreted leading to the construction of inaccurate models and subsequent plans.	All analytical outcomes are challenged internally and peer reviewed. Interpretations are carried out on modern geological software. A staff training programme has been put in place.

Financial risks

Risk	Mitigation
The Group may not be successful in achieving commercial production from an asset and consequently the carrying values of the Group's oil and gas assets may not be recovered through future revenues.	The Group performs a review of its O&G assets for impairment on an annual basis. The Group considers on an annual basis whether to commission a Competent Person's Report ('CPR') from an independent reservoir engineer. The CPR provides an estimate of the Group's reserves and resources by field/licence area. As no new production has been achieved during 2013, Management has decided not to commission a new CPR during 2013. As part of the annual budget approval process the Board considers and evaluates projects for the forthcoming year and considers the appropriate level of risk. The Board has approved a work programme for 2014. Further attempts to bring in partners and mitigate the Group's risk exposure are underway.
There is a risk that insufficient funds are available to meet development obligations to commercialise the Group's major licences.	The Group manages the risk by maintaining adequate cash reserves and by closely monitoring forecast and actual cash flow, as well as short and longer funding requirements. Management reviews these forecasts regularly and updates are made where applicable and submitted to the Board for consideration. The farm-out campaign to conserve cash and mitigate risk will continue through 2014.
The Group could be impacted by failing to meet regulatory reporting requirements in the UK, and statutory tax and filing requirements in both Ukraine and the UK.	These risks are mitigated by employing suitably qualified professionals who, working with advisers when needed, are monitoring regulatory reporting requirements, and who ensure that timely submissions are made.
The Group operates primarily in Ukraine, an emerging market, where certain inappropriate business practices may from time to time occur. This includes bribery, theft of Group property and fraud, all of which can lead to financial loss.	Clear authority levels and robust approval processes are in place, with stringent controls over cash management and the tendering and procurement processes. Adequate office and site protection is in place to protect assets. Anti-bribery policies are in place.
The Group is at risk from changes in the economic environment both in Ukraine and globally, which can cause foreign exchange movements, changes in the rate of inflation and interest rates and lead to credit risk in relation to the Group's key counterparties.	Revenues are received in UAH and expenditure is made in UAH, but funds are transferred in US dollars to Ukraine. The Group continues to hold most of its cash reserves in the UK mostly in US dollars. Cash reserves are placed with leading financial institutions which are approved by the Audit Committee. The Group is predominantly a US dollar denominated business. Foreign exchange risk is considered a normal and acceptable business exposure and the Group does not hedge against this risk. Refer to note 27 to the Consolidated Financial Statements for detail on financial risks.

Strategic Report continued

Risks and Uncertainties continued

Corporate risks

Risk	Mitigation
Should the Group fail to comply with licence obligations there is a risk that its entitlement to the licence will be lost.	The Group designs a work programme and budget to ensure that all licence obligations are met. The Group engages proactively with government to re-negotiate terms and ensure that they are not onerous.
Ukraine is an emerging market and as such the Group is exposed to greater regulatory, economic and political risks than other jurisdictions. Emerging economies are generally subject to a volatile political environment which could adversely impact on Cadogan's ability to operate in the market. Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook. The Government however is expecting significant funding from the international creditors in 2014, with the International Monetary Fund ("IMF") being the largest. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy.	The Group minimises this risk by maintaining the funds in international banks outside Ukraine and by continuously maintaining a working dialogue with the regulatory authorities.
The Group's success depends upon skilled management, technical and administrative staff. The loss of service of critical members from the Group's team could have an adverse effect on the business.	The Group periodically reviews the compensation and contract terms of its staff.

Statement of Reserves and Resources

The Group did not commission an independent Reserves and Resources Evaluation of the Group's oil and gas assets in Ukraine as at 31 December 2013, due to insufficient new information arising from operational activity before the year end. The summary of the Reserves and Resources below are based on the Independent Reserves and Resources Evaluation performed by Gaffney Cline and Associates as at 31 December 2009, adjusted for subsequent actual production and expert review and studies performed with an external firm in Kiev and in house.

Summary of Reserves as of 31 December 2013

	Working interest basis		
	Gas bcf	Condensate mmbbl	Oil mmbbl
Proved and Probable Reserves at 1 January 2013	**11.3**	**0.6**	**–**
Production	(0.2)	–	–
Proved and Probable Reserves at 31 December 2013	**11.1**	**0.6**	**–**
Possible Reserves at 1 January 2013 and 31 December 2013	**19.5**	**1.5**	**–**

Summary of Contingent Resources as of 31 December 2013

	Working interest basis			
	Gas bcf	Condensate mmbbl	Oil mmbbl	Total mmboe
Contingent Resources at 1 January 2013	**2,357.3**	**97.9**	**–**	**522.2**
Change in working interest	–	–	–	–
Contingent Resources at 31 December 2013	**2,357.3**	**97.9**	**–**	**522.2**

Reserves are assigned only to the Pirkovskoe, Debeslavetska and Cheremkhivska fields.

Contingent Resources are assigned to the Zagoryanska, Pirkovskoe, Borynya and Bitlya fields, where development is contingent on further appraisal.

Prospective Resources of 165.9 billion cubic feet ("bcf") (2011: 165.9 bcf) of gas and 5.9 mmbl (2011: 5.9 mmbl) of condensate are attributed to the Pokrovskoe field (reflecting Cadogan's working interest), where there has not yet been a production test.

Strategic Report continued

Corporate Responsibility

The Board recognises the requirement under Section 414C of the Act to detail information about employees, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies.

The Group considers the sustainability of its business as a key and competitive element of its strategy. Meeting the expectations of our stakeholders is the way in which we secure our licence to operate, and to be recognised in the values we declare is the best added value we can bring in order to profitably prolong our business. The Board recognises that the health and safety of its employees and of the communities and protecting the environment it impacts are the key drivers for the sustainable development of the Company's activity. Our Code of Ethics and the adoption of internationally recognised best practices and standards are our and our employees' references for conducting our operations.

Our activities are carried out in accordance with a policy manual, endorsed by the Board, which has been disseminated to all staff. The manual includes policies on business conduct and ethics, anti-bribery, the acceptance of gifts and hospitality, and whistleblowing.

The Group's Health, Safety and Environment Manager reports directly to the Chief Operations Officer. His role is to ensure that the Group has developed suitable procedures and that operational management have incorporated them into daily operations, and he has the necessary level of autonomy and authority to discharge his duties effectively and efficiently.

The Board believes that health and safety procedures and training across the Group should be to the standard expected in any company operating in the oil and gas sector. Accordingly, it has set up a Committee to review and agree health and safety initiatives and report back on progress. The monthly management report to the Board contains a full report on both health and safety, and environmental issues, and key safety and environmental issues are discussed by the Executive Management. The Health, Safety and Environment Committee Report is on page 28.

Health, safety and environment

The Group has developed an integrated Health, Safety and Environmental ('HSE') management system. The system aims, by a continuous improvement programme, to ensure that a safety and environmental protection culture is embedded in the organisation. The HSE management system ensures that both Ukrainian and international standards can be met with the Ukrainian HSE legislation requirements taken as an absolute minimum although the international requirements are in the main met or exceeded. All the Group's local operating companies in East and West Ukraine have all the necessary documentation and systems in place to ensure compliance with Ukrainian legislation.

A proactive approach to the prevention of incidents has been in place throughout 2013, which relies on an observation cards system and reliable near-miss reporting. Staff training on HSE matters is recognised as the key factor to generate continuous improvement. In-house training is provided to help staff meet international standards and follow best practice. At present, special attention is being given to training on risk assessments, incident reporting and investigation, as well as hazard and operational ('HAZOP') studies to ensure that international standards are maintained even if they exceed those required by Ukrainian legislation.

The Board monitors lost time incidents as a key performance indicator of the business, to reasonably verify that the procedures in place are robust. The Board has benchmarked safety performance against the HSE performance index measured and published annually by the International Association of Oil & Gas Producers. In 2013, the Group recorded a total of 440,386 man hours worked. There were no Lost Time Incidents ('LTIs') recorded in 2013 and a total of over one million man hours have been worked without an LTI since the previous incident was recorded in July 2011.

Vehicle safety and driving conduct remain among the Company's priorities in controlling hazards and preventing injuries. As of the end of 2013, the Company has recorded almost 8.4 million kilometres driven without an LTI.

The European Bank for Reconstruction and Development ('EBRD') was, until February 2013, a substantial shareholder in the Company and closely monitored the environmental and community aspects of the Group's activities. An environmental report was submitted to the EBRD each year summarising the Group's compliance with local HSE regulation and standards. The EBRD required and reviewed the results of audits undertaken by external consultants which were used to generate an environmental action plan. The Group remains highly conscious of the need to optimise its activities in order to reduce their environmental impact of its operations. In 2012, a number of steps were taken in this direction, such as replacing the old compressor unit at the Debeslavetske Gas Treatment Facility, which benefited the environment by decreasing fuel consumption and air emissions while improving the overall efficiency of the plant.

Corporate Responsibility continued

Starting from 2013, the Company is committed to prepare a baseline to assess and monitor its environmental performance, namely, the consumption of electricity and industrial water and fuel consumption by cars, plant and other work sites. We have developed procedures necessary for improving the Group's environmental performance, taking into account the requirements of any applicable policies, such as UK regulations on mandatory reporting of greenhouse gas emissions.

Employees

Certain of the Group's operations are undertaken by sub-contractors' specialists having the technical knowledge required for complex wells' drilling operations. Local interest is part of the Company's sustainable development policy and wherever possible local staff are recruited and procedures are in place to ensure that all recruitments are undertaken on a transparent and fair basis with no discrimination against applicants. Each operating company has its own Human Resources staff to ensure that the Group's employment policies are properly implemented and followed. As required by Ukrainian legislation, Collective Agreements are in place with the Group's Ukrainian subsidiary companies which provide an agreed level of staff benefits and other safeguards for employees. The Group's Human Resources policy covers key areas such as equal opportunities, wages, overtime and non-discrimination. All staff are aware of the Group's grievance procedures.

Sufficient levels of health insurance are provided by the Group to employees to ensure they have access to good medical facilities. Each employee's training needs are assessed on an individual basis to ensure that their skills are adequate to support the Group's operations, and to help them to develop.

Gender diversity

The Board of Directors of the Company comprised of five male Directors throughout the year to 31 December 2013. The appointment of any new Director is made on the basis of merit. See page 18 for more information on the composition of the Board. There were no females holding Senior Manager' position as at 31 December 2013[1]. As at 31 December 2013, the Company comprised a total of 121 employees, as follows:

	Male	Female
Non-executive directors	3	0
Executive directors	2	0
Other employees	85	31
All employees	90	31

Human rights

Cadogan's commitment to the fundamental principles of human rights is embedded in our HSES polices and throughout our business processes. We promote the core principles of human rights pronounced in the UN Universal Declaration of Human Rights. Our support for these principles is embedded throughout our Code of Conduct, our employment practices and our relationships with suppliers wherever we do business.

1 Senior Managers are directors of subsidiary companies or who otherwise have responsibility for planning, directing or controlling the activities of the company or a strategically significant part of it.

Community

The Group's activities are carried out in rural areas of Ukraine and the Board is aware of its responsibilities to the local communities in which the Group operates and from which some of the employees are recruited. At current operational sites, management works with the local councils to ensure that the impact of operations is as low as practicable by putting in place measures to mitigate their effect. Key projects undertaken include improvement of the road infrastructure in the area, which provides easier access to the operational sites while at the same time minimising inconvenience for the local population and allowing improved road communications in the local communities. Specific charitable activities are undertaken for the direct benefit of local kindergartens, schools, sporting facilities and medical services, as well as other community-focused facilities. All activities are followed and supervised by managers who are given specific responsibility for such tasks.

The Group's local companies see themselves as part of the community and are involved not only with financial assistance, but also with practical help and support. The recruitment of local staff generates additional income for areas that otherwise are predominantly dependent on the agricultural sector.

Approval

The Strategic Report was approved by the Board of Directors on 28 April 2014 and signed on its behalf by:

Laurence Sudwarts
Company Secretary
28 April 2014

Board of Directors

Zev Furst, 66, American
Chairman
Appointed to the Board on 2 August 2011, Mr Furst is a leading global business and communications strategist who has advised political leaders, foreign principals and corporate executives of Fortune 100 companies. He is the Chairman and CEO of First International Resources, an international corporate and political consulting firm he founded in 1992. Mr Furst specialises in providing strategic counsel on crisis management, market entry, corporate positioning and personal reputational issues. In recent years, he has also advised and consulted with candidates running for national office in Israel, Japan, Mexico and Ukraine.

In 1986, Mr Furst was a founding partner of Meridian Resources and Development Ltd, an international commodities trading company specialising in chemicals and petroleum products.

Mr Furst currently serves as Chairman of the International Board of the Peres Center for Peace and is a member of the Advisory Board of the Kennan Institute in Washington, DC. He has written and lectured extensively on international affairs, business and political strategy and the role of media in politics and diplomacy.

Mr Furst is Chairman of the Company's Nomination Committee and a member of the Remuneration Committee.

Bertrand des Pallieres, 47, French
Chief Executive Officer
Mr des Pallieres was appointed as Chief Executive Officer on 1 August 2011, having joined the Board as a non-executive Director on 26 August 2010. Mr des Pallieres is also the CEO of SPQR Capital Holdings SA, a major shareholder of the Company.

Previously he was the Global Head of Principal Finance and member of the Global Market Leadership Group of Deutsche Bank from 2005 to 2007. From 1992 to 2005 he held various positions at JPMorgan including Global Head of Structured Credit, European Head of Derivatives Structuring and Marketing, and Co-head of sales for Europe, Middle East and Africa. He is a non-executive director of Versatile Systems Inc. listed on the Toronto and London Stock Exchanges and Equus Total return, Inc., listed on the NYSE.

Mr des Pallieres is a member of the Nomination Committee.

Adelmo Schenato, 62, Italian
Chief Operating Officer
Mr Schenato was appointed to the Board as Chief Operating Officer on 25 January 2012. He joined the Company after a 35 year career at Eni S.p.A ('Eni'), the Italian integrated energy business, where he served in senior global and regional positions.

His global roles at Eni included Well Operations Research and Development and Technical Management, and Vice President HSE & Sustainability. His regional roles include General Manager of Tunisia, Gabon and Angola as well as CEO of Eni's Italian gas storage company.

Gilbert Lehmann, 68, French
Senior Independent non-executive Director
Mr Lehmann was appointed to the Board on 18 November 2011. He is currently acting as an adviser to the Executive Board of Areva, the French nuclear energy business, having previously been its Deputy Chief Executive Officer responsible for finance. He is also a former Chief Financial Officer and deputy CEO of Framatone, the predecessor to Areva, and was CFO of Sogee, part of the Rothschild Group. Mr Lehmann is also Deputy Chairman and Chairman of the Audit Committee of Eramet, the French minerals and alloy business. He is Deputy Chairman and Audit Committee Chairman of Assystem SA, the French engineering and innovation consultancy. He was Chairman of ST Microelectronics NV, one of the world's largest semiconductor companies, from 2007 to 2009, and stepped down as Vice Chairman in 2011.

Mr Lehmann is currently Chairman of the Company's Audit Committee and a member of the Remuneration and Nomination Committees.

Enrico Testa, 62, Italian
Independent non-executive Director
Appointed to the Board on 1 October 2011, Mr Testa has a long and varied background in the energy market. He was Chairman of the Board of ACEA (the Rome electricity and water utility company) from 1996 to 2002. He was Chairman of the Board of Enel S.p.A, the major Italian electricity supplier, during its privatisation. From 2005 to 2009 he was Chairman of Roma Metropolitane, the Rome council-owned company constructing new underground lines. He was also Chairman of the Organising Committee for the 20th World Energy Congress held in Rome in November 2007, Senior Partner at the Franco Bernabè Group which owns several investments in the IT sector and, from 2002 to 2005, he was member of the Advisory Board of Carlyle Europe and Chairman of the Italian Nuclear Forum since 2010. In addition, between 2004 and August 2012 Mr Testa was Managing Director of Rothschild S.p.A.

He is currently Chairman of the AIM listed telecommunications company Telit Communications Plc, Vice Chairman of Intecs S.p.A and Chairman of E.VA – Energie Valsabbia S.p.A. – a company developing hydropower and solar generating plants.

Mr Testa is Chairman of the Company's Remuneration Committee and a member of the Audit and Nomination Committees.

Report of the Directors

Directors
The Directors in office during the year and at the date of this report are as shown below:

Non-executive Directors
Zev Furst (Chairman)
Gilbert Lehmann
Enrico Testa

Executive Directors
Bertrand des Pallieres
Adelmo Schenato

Directors' re-election
The Board has decided previously that all Directors must be subject to annual election by shareholders, in accordance with the best practice guidance for FTSE 350 companies contained in the UK Corporate Governance Code that was issued in 2012 by the Financial Reporting Council (the 'Code'). As such, all of the Directors will be seeking re-election at the Annual General Meeting to be held on 26 June 2014.

The biographies of the Directors in office at the date of this report are shown on page 18.

Appointment and replacement of Directors
The Board may appoint any individual willing to act as a Director either to fill a vacancy or act as an additional Director. The appointee may hold office only until the next annual general meeting of the Company whereupon his or her election will be proposed to the shareholders.

The Company's Articles of Association prescribe that there shall be no fewer than three Directors and no more than fifteen.

Directors' interests in shares
The beneficial interests of the Directors in office as at 31 December 2013 and their connected persons in the Ordinary shares of the Company at 31 December 2013 are set out below.

Shares as at December 31	2013	2012
Z Furst	–	522.2
B des Pallieres	200,000	200,000
G Lehmann	–	–
E Testa	–	–
A Schenato	–	522.2

Directors' indemnities and insurance
The Company continues to maintain Directors' and Officers' Liability Insurance. The Company's Articles of Association provide, subject to the provisions of the Companies Act 2006, an indemnity for Directors in respect of any liability incurred in connection with their duties, powers or office. Save for such indemnity provisions, there are no qualifying third party indemnity provisions.

Powers of Directors
The Directors are responsible for the management of the business and may exercise all powers of the Company (including powers to issue or buy back the Company's shares), subject to UK legislation, any directions given by special resolution and the Articles of Association. The authority to buy back shares, granted at the 2013 Annual General Meeting, remains unused.

Dividends
The Directors do not recommend payment of a dividend for the year to 31 December 2013 (2012: $nil).

Principal Activity and Status
The Company is registered as a public limited company (registration number 05718406) in England and Wales. Its principal activity is oil and gas exploration, development and production.

Structure of share capital
The authorised share capital of the Company is currently £30,000,000 divided into 1,000,000,000 Ordinary shares of 3 pence each. The number of shares in issue as at 31 December 2013 was 231,091,734 Ordinary shares of 3 pence each with a nominal value of £6,932,752. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the 'Regulations') allow companies to hold shares in treasury rather than cancel them. Following the consolidation of the issued capital of the Company on 10 June 2008, there were 66 residual Ordinary shares which were transferred to treasury. No dividends may be paid on shares whilst held in treasury and no voting rights attach to shares held in treasury.

Report of the Directors continued

Rights and obligations of Ordinary shares
On a show of hands at a general meeting every holder of Ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy, shall have one vote for every Ordinary share held. In accordance with the provisions of the Company's Articles of Association, holders of Ordinary shares are entitled to a dividend where declared and paid out of profits available for such purposes. On a return of capital on a winding up, holders of Ordinary shares are entitled to participate in such a return.

Exercise of rights of shares in employee share schemes
None of the share awards under the Company's incentive arrangements are held in trust on behalf of the beneficiaries.

Agreements between shareholders
The Board is unaware of any agreements between shareholders which may restrict the transfer of securities or voting rights.

Restrictions on voting deadlines
The notice of any general meeting of the Company shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote at a general meeting. It is the Company's policy at present to take all resolutions at a general meeting on a poll and the results of the poll are published on the Company's website after the meeting.

Substantial shareholdings
As at 31 December 2013 and 28 April 2014, the Company had been notified of the following voting rights attached to the Company's shares:

	31 December 2013		28 April 2014	
Major shareholder	Number of shares held	% of total voting rights	Number of shares held	% of total voting rights
SPQR Capital Holdings SA	67,298,498	29.12	67,298,498	29.12
Mr Pierre Salik	40,550,000	17.55	40,550,000	17.55
Mr Michel Meeus	26,000,000	11.25	26,000,000	11.25
J Benaim	21,660,582	9.37	21,660,582	9.37
Credit Agricole Indosuez (Suisse) SA	12,050,000	5.21	12,050,000	5.21
Credit Suisse Private Banking	7,477,091	3.24	7,477,091	3.24

Amendment of the Company's Articles of Association
The Company's Articles of Association may only be amended by a special resolution of shareholders.

Disclosure of information to auditors
As required by section 416 of the Companies Act 2006, each of the Directors as at 28 April 2014 confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 416 of the Companies Act 2006.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Consolidated and Company Financial Statements. For further detail refer to the detailed discussion of the assumptions outlined in note 3(b) to the Consolidated Financial Statements.

Change of control – significant agreements
The Company has no significant agreements containing provisions which allow a counterparty to alter and amend the terms of the agreement following a change of control of the Company.

Should a change in control occur then certain senior staff are entitled to a payment of salary and benefits for a period of six months.

Certain of the Company's long-term incentive arrangements contain provisions which permit awards or options to vest or become exercisable on a change of control in accordance with the rules of the plans.

Global greenhouse gas emissions
This section contains information on greenhouse gas ("GHG") emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the Regulations").

Reporting year

The reporting year coincides with the Company's fiscal year, which is 1 January 2013 to 31 December 2013. This is the first year in which GHG reporting has been conducted by the Company, and it will be used as the baseline year for comparison in future years.

Methodology

The principal methodology used to calculate the emissions is drawn from the 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013)', issued by the Department for Environment, Food and Rural Affairs ("DEFRA"). Additionally, 'Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions (2nd edition, May 2011)' were used to cover issues specific for the petroleum industry. DEFRA GHG conversion factors for company reporting were utilised to calculate the CO2 equivalent of emissions from various sources. In certain limited cases, where information was available only for a part of the reporting period, the total emissions were extrapolated by extending the available information to cover the full reporting period. This occurred where it was not possible to retrieve information on the amount of heating supplied to one of the Company's office buildings, due to an office move.

The Company has reported on all of the emission sources required under the Regulations.

The Company does not have responsibility for any emission sources that are not included in our consolidated statement.

Consolidation approach and organisation boundary

An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

Scope of reported emissions

Emissions data from the sources within Scope 1 and Scope 2 of the Company's operational boundaries is detailed below. This includes direct emissions from assets that fall within the Company's organisational boundaries (Scope 1 emissions), as well as indirect emissions from energy consumption, such as purchased electricity and heating (Scope 2 emissions).

Intensity ratio

In order to express the GHG emissions in relation to a quantifiable factor associated with the Company's activities, wellhead production of crude oil, condensates and natural gas has been chosen as the normalisation factor for calculation of the intensity ratio. This will allow comparison of the Company's performance over time, as well as with other companies in the Company's peer group.

Total greenhouse gas emissions data for the period from 1 January 2013 to 31 December 2013

Greenhouse gas emissions source	Tonnes of CO2 equivalent
Scope 1	
Direct emissions, including combustion of fuel and operation of facilities	1,313
Scope 2	
Indirect emissions from energy consumption, including electricity and heating purchased for own use	705
Total (Scope 1 & 2)	2,018

Annual General Meeting

A notice for the Annual General Meeting (the 'AGM') to be held at 10.30 am on 23 June 2014 at Chandos House, 2 Queen Anne Street, London W1G 9LQ is set out on pages 80 to 82. The following notes provide an explanation of all of the Resolutions to be put to the AGM. Resolutions 1 to 12 will be proposed as ordinary resolutions requiring the approval of more than 50 per cent. of the votes cast at the meeting and Resolutions 13 to 15 will be proposed as special resolutions requiring the approval of at least 75 per cent of the votes cast at the meeting. The Board considers that the resolutions to be put to the meeting are in the best interests of the Company and the shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the proposed resolutions at the AGM, as they intend to do in respect of their own beneficial holdings.

Annual Financial Report (Resolution 1)

Shareholders are being asked to receive the Annual Financial Report of the Company for the financial year ended 31 December 2013. The Annual Financial Report comprises the Annual Accounts of the Group together with the Directors' Report, Annual Report on Remuneration and the auditor's report on those Accounts and the auditable part of the Annual Report on Remuneration.

Report of the Directors continued

Approval of Annual Report on Remuneration (Resolution 2)
Shareholders are being asked to approve the Annual Report on Remuneration for the financial year ended 31 December 2013, as set out on pages 31 to 34.

Approval of Directors' Remuneration Policy (Resolution 3)
A new directors' remuneration reporting regime came into effect on 1 October 2013. Shareholders will now have an annual advisory vote on the report on Directors' remuneration and a binding vote, to be held every three years, on the remuneration policy of the Directors. Accordingly, shareholders are being requested to vote on the receipt and approval of the Annual Report on Remuneration 2013 as set out on pages 31 to 34 and on the Directors' Remuneration Policy as set out on page 33.

Election and re-election of Directors (Resolutions 4 to 9)
Under Article 118 of the Company's Articles of Association, every Director must seek re-election by members at least once every three years. However, it is now the Board's practice for every Director to seek re-election by shareholders every year as recommended by the Code. Accordingly, resolutions 4 to 8 deal with the re-election of each of the Company's Directors.

Biographies of each of the Directors seeking re-election are set out on page 18. All of the Directors proposed for re-election have wide ranging business knowledge and bring valuable skills and experience to the Board and the Board considers that each of the Directors continues to make an effective and valuable contribution and demonstrates commitment to the role. Accordingly, the Board recommends the re-election of each of these Directors.

Resolution 9 deals with the election of Mr Michel Meeus to the Board of Directors of the Company. Given Mr Meeus' more than three decades' experience spanning both the financial and the energy sectors, sectors of vital importance to the Company at the present time, the Board believes that Mr Meeus will make a valuable and effective contribution to the Company and therefore recommends that shareholders vote in favour of his election.

Auditor (Resolutions 10 and 11)
Deloitte LLP have indicated that they are willing to continue in office as the Company's auditor. Resolution 10 seeks shareholders' approval to reappoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which the Annual Financial Report is laid before the shareholders. Resolution 11 seeks shareholders' authorisation for the Directors to determine the auditor's remuneration.

Authority to Allot Shares (Resolution 12)
The Directors may allot or grant rights over Ordinary shares only if authorised to do so by a resolution of shareholders. Resolution 12 seeks a new authority under section 551 of the Companies Act 2006 to authorise the Directors to allot shares or grant rights to subscribe for, or convert any security into, shares in the Company. It will expire at the conclusion of next year's AGM or, if earlier, on 30 June 2015. Resolution 12 follows institutional investor guidelines regarding the authority to allot shares.

Paragraph (a) of resolution 12 would give the Directors authority to allot shares or grant rights to subscribe for, or convert any security into, shares ('Rights') up to a maximum nominal amount of £2,310,917, representing approximately one third of the Company's existing issued share capital. This maximum is reduced by the nominal amount of shares allotted or Rights granted pursuant to paragraph (b) of resolution 12 in excess of £2,310,917. Paragraph (b) of resolution 12 gives the Directors authority to allot shares or grant Rights in connection with a rights issue only up to a maximum nominal amount of £4,621,834 representing approximately two-thirds of the Company's existing issued share capital. This maximum is reduced by the nominal amount of shares allotted or Rights granted pursuant to paragraph (a) of resolution 12.

Therefore, the maximum nominal amount of shares allotted or Rights granted under resolution 12 is £4,621,834, representing approximately two-thirds of the Company's existing issued share capital.

As at close of business on 28 April 2014, the Company did not hold any treasury shares.

The Directors do not currently intend to use this authority. However, if they do use it, then they intend to follow best practice (including as regards standing for re-election in certain cases), as recommended by institutional investor guidelines.

Disapplication of Pre-Emption Rights (Resolution 13)
If the Directors wish to allot any shares or grant rights over shares or sell treasury shares for cash (other than under an employee share scheme) they are required by the Companies Act 2006 to offer them to existing shareholders pro rata. In certain circumstances, it may be in the interests of the Company to raise capital without such a pre-emptive offer. Resolution 13 therefore seeks a waiver of shareholders' pre-emptive rights and (aside from rights issues or other pro rata offers), the authority will be limited to the issue of securities for cash up to a maximum aggregate nominal value of £346,637 – approximately five per cent of the Company's issued Ordinary share capital as at 23 April 2014 (being the latest practicable date prior to the date of the Notice of AGM).

The Directors confirm their intention to adhere to the provisions in the Pre Emption Group Statement of Principles regarding cumulative usage of authorities over more than 7.5 per cent of the Company's issued Ordinary share capital in any three-year period.

This resolution also seeks a disapplication of the pre-emption rights on a rights issue to permit such arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. The authority will expire at the conclusion of next year's AGM or, if earlier, on 30 June 2015.

Directors' Authority to Purchase Shares (Resolution 14)
The Company may wish to purchase its own shares and resolution 14 seeks authority to do so. If passed, the Company would be authorised to make market purchases up to a total of 23,109,173 shares – just under ten per cent of the Company's issued Ordinary share capital as at 28 April 2014. The Directors will generally only exercise this power when the effect of such purchases is expected to increase earnings per share and will be in the best interests of shareholders generally. Shares purchased may be cancelled and the number in issue will be reduced accordingly. The Company may hold in treasury any of its own shares that it purchases in this manner.

The Company does not have any outstanding share options.

Notice of General Meetings (Resolution 15)
The purpose of resolution 15 is to allow the Company to continue to call general meetings (other than AGMs) on 14 clear days' notice. The Directors do not expect to use this power unless urgent action is required on the part of the shareholders. If resolution 15 is passed, the approval will be effective until the Company's next AGM when it is expected that a similar resolution will be proposed.

It should be noted that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

This Directors' Report comprising pages 4 to 23 has been approved by the Board and signed on its behalf by:

Laurence Sudwarts
Company Secretary
28 April 2014

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report

The Board of the Company is committed to the highest standards of corporate governance and bases its actions on the principles set out in the Code issued by the Financial Reporting Council ('FRC') in September 2012 (the 'Code'). The Code can be found on the FRC's website at www.frc.org.uk

This statement describes how the Group applies the principles of the Code. On 20 December 2011 the Company's listing category on the London Stock Exchange was transferred from 'Premium Listing' to 'Standard Listing'. Although companies with a standard listing are subject to less stringent corporate governance requirements, the Board has decided that the Group will continue to govern itself in accordance with the principles of the Code and explain why it has chosen not to comply with any of the provisions of the Code.

During the year under review, the Group has complied with the Code's provisions with the following exceptions:

- Code provision A.4.2 – During the year, the Chairman did not hold meetings with the non-executive Directors without the executives present
- Code provision E.1.1 – The Senior Independent Director has not attended meetings with major shareholders

The reasons for these two areas of non-compliance are as follows:

- Although the Chairman did not hold formal meetings of the non-executive Directors during the year, regular discussions took place by telephone and email.
- The Senior Independent Director, Mr Lehmann, did not attend meetings with major shareholders as this responsibility was undertaken by the Chairman and the Executive Directors. Mr Lehmann is available to shareholders who have concerns that they feel would be inappropriate to raise via the Chairman or Executive Directors.

Board

The Board provides leadership and oversight. The Board comprises a non-executive Chairman, Chief Executive Officer, Chief Operating Officer and two independent non-executive Directors. The membership of the Board and biographical details for each of the Directors are incorporated into this report by reference and appear on page 18.

As at the date of this report, the Chairman had no significant commitments that might affect his ability to allocate sufficient time to the Company to discharge his responsibilities effectively.

Under the Company's Articles of Association, all Directors must seek re-election by members at least once every three years. However, the Board has agreed that all Directors will be subject to annual election by shareholders, as recommended by the Code in respect of FTSE 350 companies. Accordingly, all members of the Board will be standing for re-election at the Annual General Meeting to be held on 26 June 2014.

The Board has a formal schedule of matters specifically reserved for it to decide, including approval of acquisitions and disposals, major capital projects, financial results, Board appointments, dividend recommendations, material contracts and Group strategy. Five Board meetings took place during 2013.

The Chairman, in conjunction with the Company Secretary, plans the programme for the Board during the year. The agenda for Board and Committee meetings is considered by the relevant Chairman and issued with supporting papers during the week preceding the meeting. For each Board meeting, the Directors receive a Board pack including detailed monthly management accounts, briefing papers on commercial and operational matters and major capital projects including acquisitions. The Board also receives briefings from key management on specific issues. The attendance of those Directors in place at the year end at Board and Committee meetings during the year was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
No. Held	5	3	1	1
No. Attended:				
Z Furst	4	n/a	0	0
B des Pallieres	5	n/a	0	n/a
G Lehmann	5	3	1	1
E Testa	4	3	1	1
Schenato	5	n/a	n/a	n/a

A procedure exists for the Directors, in the furtherance of their duties, to take independent professional advice if necessary, under the guidance of the Company Secretary and at the Company's expense. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed.

Board independence

The roles and responsibilities of Chairman and Chief Executive Officer are separate. A formal division of each individual's responsibilities has been agreed and documented by the Board. Mr Lehmann is the Senior Independent Director.

The non-executive Directors bring an independent view to the Board's discussions and the development of its strategy. Their range of experience ensures that management's performance in achieving the business goals is challenged appropriately. The three non-executive Directors, Messrs Furst, Lehmann and Testa, are considered by the

Board, in accordance with the Code, to be independent. The letters of appointment for the independent non-executive Directors are available for review at the Registered Office and prior to the Annual General Meeting. For information regarding the Annual General Meeting please refer to the Notice of Meeting on pages 80 to 82.

Responsibilities and membership of Board Committees
The Board has agreed written terms of reference for the Nomination Committee, Remuneration Committee and Audit Committee. The terms of reference for all three Board Committees are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. A review of the terms of reference, membership and activities of all Board Committees is provided on pages 26 to 30.

Board performance evaluation
Principle B.6 of the Code recommends that boards undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. For the year ended 31 December 2013, the Board opted to undertake self-evaluation by way of a questionnaire designed specifically to assess the strengths of the Board and identify any areas for development.

The process was led by Mr Furst as Chairman and the evaluation of the Chairman's performance was led by Mr Lehmann as the Senior Independent Director. The Board discussed the evaluation questionnaire findings, which were also used by the Nomination Committee in its annual assessment of the Board's composition. The Directors are committed to ensuring that the Board continues to represent a broad balance of skills, experience, independence and knowledge and that there is sufficient diversity within the composition of the Board. All appointments are made on merit against objective criteria – which include gender and diversity generally – in the context of the requirements of the business and the overall balance of skills and backgrounds that the Board needs to maintain in order to remain effective.

Internal control
The Directors are responsible for the Group's system of internal control and for maintaining and reviewing its effectiveness. The Board has delegated responsibility for the review of the Group's internal controls to the Audit Committee. The Group's systems and controls are designed to safeguard the Group's assets and to ensure the reliability of information used both within the business and for publication.

Systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the internal control systems which operated during 2013 and up to the date of signing the accounts are documented in the Group's Corporate Governance Policy Manual and Finance Manual. These manuals have been circulated throughout the Group. In addition, the Company's joint venture entities adopted policies that mirror the Company's own, except WGI, where ENI's policies are adopted.

Day-to-day responsibility for the management and operations of the business has been delegated to the Chief Executive Officer and senior management.

Certain specific administrative functions are controlled centrally. Taxation, treasury and insurance functions report to the Director of Group Finance who reports directly to the Chief Executive Officer. The legal function is managed by the General Counsel who reports to the Board and also attends all Board meetings. The Health and Safety and Environment functions report to the Chief Operating Officer. An overview of the Group's treasury policy is set out on page 11.

The Group does not have an internal audit function. Due to the small scale of the Group's operations at present, the Board do not feel that it is appropriate or economically viable to have this function in place. The Audit Committee will continue to consider the position annually.

The Board has reviewed the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the 'Turnbull Guidance'). During the course of its review of the risk management and internal control systems, the Board has not identified nor been advised of any failings or weaknesses which it has deemed to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Relations with shareholders
The Chairman and Executive Directors of the Company have a regular dialogue with analysts and substantial shareholders. The outcome of these discussions is reported to the Board and discussed in detail. Mr Lehmann, as the Senior Independent Director, is available to shareholders who have concerns that they feel would be inappropriate to raise via the Chairman or Executive Directors.

The Annual General Meeting is used as an opportunity to communicate with all shareholders. In addition, financial results are posted on the Company's website, www.cadoganpetroleum.com, as soon as they are announced. The Notice of the Annual General Meeting is contained in this report on pages 80 to 82. It is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at the Annual General Meeting. The results of all resolutions will be published on the Company's website, www.cadoganpetroleum.com.

Board Committee Reports

Audit Committee Report

The Audit Committee is appointed by the Board, on the recommendation of the Nomination Committee, from the non-executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by the Code. They are reviewed annually by the Audit Committee and any changes are then referred to the Board for approval. The terms of reference of the Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum.

Responsibilities

- To monitor the integrity of the annual and interim financial statements, the accompanying reports to shareholders, and announcements regarding the Group's results.
- To review and monitor the effectiveness and integrity of the Group's financial reporting and internal financial controls.
- To review the effectiveness of the process for identifying, assessing and reporting all significant business risks and the management of those risks by the Group.
- To oversee the Group's relations with the external auditor and to make recommendations to the Board, for approval by shareholders, on the appointment and removal of the external auditor.
- To consider whether an internal audit function is appropriate to enable the Audit Committee to meet its objectives.
- To review the Group's arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Governance

Mr Testa and Mr Lehmann, who are both independent non-executive Directors under provision B.1.1 of the Code, are the members of the Audit Committee. The Audit Committee is chaired by Mr Lehmann who has recent and relevant financial experience as a former finance director of major European companies as well as holding several non-executive roles in major international entities.

At the invitation of the Audit Committee, the Group Director of Finance and external auditor regularly attend. The Company Secretary attends all meetings of the Audit Committee.

The Audit Committee also meets the external auditor without management being present.

Activities of the Audit Committee

During the year, the Audit Committee discharged its responsibilities as follows:

Financial statements

The Audit Committee examined the Group's consolidated and Company's financial statements and, prior to recommending them to the Board, considered the appropriateness of accounting policies adopted and whether the financial statements represented a true and fair view.

Internal controls and risk management

The Audit Committee reviews and keeps under review financial and control issues throughout the Group including the Group's key risks and the approach for dealing with them.

External auditor

The Audit Committee is responsible for recommending to the Board, for approval by the shareholders, the appointment of the external auditor.

The Audit Committee considers the scope and materiality for the audit work, approves the audit fee, and reviews the results of the external auditor's work. Following the conclusion of each year's audit, it considers the effectiveness of the external auditor during the process. An assessment of the effectiveness of the audit process was made, giving consideration to reports from the auditors on their internal quality procedures. The Committee reviewed and approved the terms and scope of the audit engagement, the audit plan and the results of the audit with the external auditors, including the scope of services associated with audit-related regulatory reporting services. Additionally, auditor independence and objectivity were assessed, giving consideration to the auditors' confirmation that their independence is not impaired, the overall extent of non-audit services provided by the external auditors and the past service of the auditors who were first appointed. We have also taken account of the latest recommendations of the Code in relation to the regular tendering of the external audit appointment.

Deloitte LLP was first appointed in 2005. Having satisfied itself as to their qualifications, expertise, resources and independence and the effectiveness of the audit process, the Audit Committee has recommended to the Board, for approval by shareholders, the reappointment of Deloitte LLP as the Company's external auditor.

There is an agreed policy on the engagement of the external auditor for non-audit services to ensure that their independence and objectivity are safeguarded. Work closely related to the audit, such as taxation or financial reporting matters, can be awarded to the external auditor by the executive Directors provided the work does not exceed £50,000 in fees per item. Work exceeding £50,000 requires approval by the Audit Committee. All other non-audit work either requires Audit Committee approval or forms part of a list of prohibited services, where it is felt the external auditor's independence or objectivity may be compromised.

A breakdown of the non-audit fees is disclosed in note 10 to the notes to the Consolidated Financial Statements. The Company's external auditor, Deloitte LLP, has provided non-audit services (excluding audit related services) which amounted to $105,000 (2012: $119,000). The Audit Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor are not impaired by the reason of such non-audit work.

Internal audit

The Audit Committee considers annually the need for an internal audit function and believes that, due to the size of the Group and its current stage of development, an internal audit function will be of little benefit to the Group.

The Group's whistleblowing policy encourages employees to report suspected wrongdoing and sets out the procedures employees must follow when raising concerns. The policy, which was implemented during 2008, was refreshed in 2013 and recirculated to staff as part of a manual that includes the Company's policies on anti-bribery, the acceptance of gifts and hospitality, and business conduct and ethics.

Political and economic uncertainty in Ukraine

Recent political turmoil in Ukraine has made it necessary for management to assess the extent of its impact on the Group's operations and assets.

The Committee reviewed reports from management which considered whether adjustments are required to the carrying values of assets and the appropriateness of the going concern assumption. As a result management have concluded that there were no significant adverse consequences in relation to the Group's operations, cash flows and assets that impact the 2013 financial statements, apart from continuous uncertainty related to key assumptions used by management in assessment of the recoverable amount of production assets including the gas price and the discount factor in particular. Any further escalations of the political crisis may impact the Group's normal business activities, and increase the risks relating to its business operations, financial status and maintenance of its Ukrainian production licences.

In discussion with the external auditors, the Committee acknowledged the inherent difficulty in making any assessment as to the eventual outcome of the present political situation and, as a consequence, the difficulty of making a reliable judgement as to the future impact, if any, on the Group's business. The Committee concurs with conclusions reached by management summarized in Note 4 to the financial statements.

Other significant issues related to 2013 financial statements

For the year ended 31 December 2013 the Audit Committee identified the significant issues that should be considered in relation to the financial statements, being areas which may be subject to heightened risk of material misstatement.

The Group estimates of oil and gas reserves have a significant impact on the financial statements, in particular in relation to depletion, depreciation and decommissioning ("DD&A") and impairment. Oil and gas reserves, as discussed in the Statement of Reserves and Resources, are based on the Independent Reserves and Resources Evaluation performed by Gaffney Cline and Associates as at 31 December 2009, adjusted for subsequent actual production and expert review and studies performed with external firm in Kiev and in house.

Following discussions with management and the auditors, including discussing the range of sensitivities, the Committee is satisfied with results of the assessment of recoverable amount of production assets. However, reserves estimates are inherently uncertain, especially in the early stages of a field's life, and are routinely revised over the producing lives of oil and gas fields as new information becomes available and as economic conditions evolve. The Audit Committee acknowledges that such revisions may impact the Group's future financial position and results, in particular, in relation to DD&A and impairment testing of oil and gas property, plant and equipment.

The Audit Committee considered the Group's intangible exploration and evaluation assets and interests in exploration and evaluation assets held through joint ventures individually for any indicators of impairment including those indicators set out in IFRS 6 Exploration for and Evaluation of Mineral resources. The Audit Committee has not found any evidence for the existence of any such indicators of impairment. The Audit Committee has discussed the Group's exploration and evaluation assets with both management and the auditor's and concur with the treatment adopted.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. A formal review of the Audit Committee's performance was undertaken after the year end and concluded that the Committee is effective in its scrutiny of the accounts and financial reporting process, its oversight of risk management systems and its monitoring of internal control testing.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Audit Committee.

Board Committee Reports continued

Health, Safety and Environment Committee Report

The Health, Safety and Environment Committee (the 'HSE Committee') is appointed by the Board, on the recommendation of the Nomination Committee. The HSE Committee's terms of reference are reviewed annually by the HSE Committee and any changes are then referred to the Board for approval. The terms of reference of the Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum, one of whom must be a Director.

Responsibilities

- To develop a framework of the policies and guidelines for the management of health, safety and environment issues within the Group.
- Evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operation.
- Assess the policies and systems within the Group for ensuring compliance with health, safety and environmental regulatory requirements.
- Assess the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties and also assess the impact of such decisions and actions on the reputation of the Group and make recommendations to the Board on areas for improvement.
- On behalf of the Board, receive reports from management concerning any fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents.
- Evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, environmental and community relations issues.
- Where it deems it appropriate to do so, appoint an independent auditor to review performance in regard to health, safety, environmental and community relations matters and review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same.

Governance

The HSE Committee was in place throughout 2013. Members of the HSE Committee as of April 2014 are Mr Adelmo Schenato (Chief Operating Officer and HSE Committee Chairman), Mr Oleg Sybira (HSE Manager), Mr Luciano Kovacic (Exploration Manager). The Company Secretary attends meetings of the HSE Committee. The HSE Committee meets monthly to monitor continuously progress by management.

Activities of the Health, Safety and Environment Committee

During the year the HSE Committee discharged its responsibilities as follows:

- The ongoing review of existing HSE policies and procedures, as well as development of new ones, was regularly discussed at the Committee meetings in relation to the current activities.
- Compliance with HSE regulatory requirements was ensured through discussion of any inspections, both internal ones and those carried out by the Authorities.
- HSE statistics were a standing item on the agenda, allowing the HSE Committee to assess the Company performance by analysing any lost-time incidents (of which there were none during 2013), near misses, HSE training and other indicators.
- Interaction with contractors, Authorities, local communities and other stakeholders was discussed among other HSE activities.

Overview

As a result of its work during the year, the HSE Committee has concluded that it has acted in accordance with its terms of reference.

Nomination Committee Report

The Nomination Committee is appointed by the Board predominantly from the non-executive Directors of the Group. The Nomination Committee's terms of reference include all matters indicated by the Code. They are reviewed annually by the Nomination Committee and any changes are then referred to the Board for approval. The terms of reference of the Nomination Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum.

Responsibilities

- To regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.
- Before appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

In identifying suitable candidates, the Nomination Committee shall use open advertising or the services of external advisers to facilitate the search and consider candidates from a wide range of backgrounds on merit, taking care that appointees have enough time available to devote to the position.

The Nomination Committee shall also make recommendations to the Board concerning:

- Formulating plans for succession for both executive and non-executive Directors and in particular for the key roles of Chairman and Chief Executive Officer.
- Membership of the Audit and Remuneration Committees, in consultation with the Chairmen of those committees.
- The reappointment of any non-executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- The re-election by shareholders of any Director having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

Any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and their service contract.

Governance

Mr Zev Furst (Board and Nomination Committee Chairman), Mr Bertrand des Pallieres (Chief Executive Officer), and Messrs Gilbert Lehmann and Enrico Testa (independent non-executive Directors) are the members of the Nomination Committee. The Company Secretary attends all meetings of the Nomination Committee.

Activities of the Nomination Committee

The Nomination Committee carried out a review of the size, structure and composition of the Board after the year end and concluded that it had the appropriate balance of skills, knowledge, independence and experience.

Overview

As a result of its work during the year, the Nomination Committee has concluded that it has acted in accordance with its terms of reference. The Chairman of the Nomination Committee will be available at the Annual General Meeting to answer any questions about the work of the Nomination Committee.

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations Amendment 2013 and an Ordinary resolution will be submitted to the shareholders seeking their approval of the report at the Annual General Meeting of the Company.

Board Committee Reports continued

Statement from the Chairman
I am pleased to present the Annual Report on Remuneration for the year ended 31 December 2013.

Shareholders may be aware that new rules for the reporting of directors' remuneration came into effect on 1 October 2013. These now require companies to ask shareholders to approve the annual remuneration paid to directors every year and to formally approve the directors' remuneration policy on a three-yearly basis. Any change to the Directors' Remuneration Policy will require shareholder approval. The vote on the Annual Report on Remuneration is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, Ordinary Resolutions will be put to Shareholders at the forthcoming Annual General Meeting to be held on 23 June 2014, to receive and approve the Annual Report on Remuneration and to receive and approve the Directors' Remuneration Policy.

Given the challenging political situation present in Ukraine over the past months, the company's aim to develop a revised, long-term and balanced Remuneration Policy aligned to strategy and performance and linked to shareholder preferences has of necessity taken second precedence to other pressing matters. In the circumstances, the Company proposes to maintain its current approach to remuneration, already long-term, balanced and aligned to strategy and performance, until the situation in the country has settled. At that point, the Company will bring its revised Remuneration Policy to shareholders for consideration.

Enrico Testa
Chairman of the Remuneration Committee
28 April 2014

Annual Report on Remuneration 2013

Information not subject to audit: Remuneration Committee

The Remuneration Committee is committed to principles of accountability and transparency to ensure that remuneration arrangements demonstrate a clear link between reward and performance. In its work, the Remuneration Committee considers fully the principles and provisions of the Code. In designing performance-related remuneration schemes for executive Directors, the Remuneration Committee has considered and applied Schedule A of the Code.

Remuneration Committee Report

Responsibilities

In summary, the Remuneration Committee's responsibilities, as set out in its terms of reference, are as follows:

- To determine and agree with the Board the policy for the remuneration of the executive Directors, the Company Secretary and other members of executive management as appropriate.
- To consider the design, award levels, performance measures and targets for any annual or long-term incentives and approve any payments made and awards vesting under such schemes.
- Within the terms of the agreed remuneration policy, to determine the total individual remuneration package of each executive Director and other senior executives including bonuses, incentive payments and share options or other share awards.
- To ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Governance

The Remuneration Committee consists of Mr Enrico Testa, Mr Zev Furst and Mr Gilbert Lehmann. At the discretion of the Remuneration Committee, the Chief Executive Officer is invited to attend meetings when appropriate, but is not present when his own remuneration is being discussed. The Remuneration Committee is also supported by the Company Secretary.

Activities of the Remuneration Committee

During the year, the Remuneration Committee:

- Approved the outline structure of a Long-Term Incentive Plan (as recommended by PricewaterhouseCoopers, the Group's appointed external advisers) and directed management to develop a detailed proposal for the Remuneration Committee's consideration.
- Reviewed and confirmed the Company's remuneration policy, as set out in the Annual Report on Remuneration 2013 on page 33.

No awards or payments were made under incentive schemes during 2013. No new incentive schemes were introduced during the period.

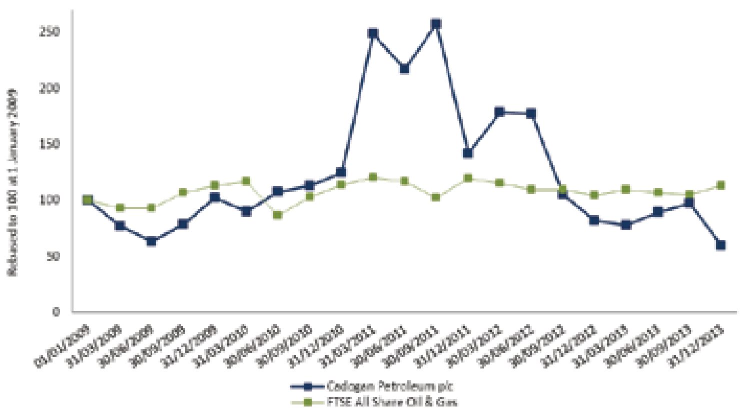
Overview

As a result of its work during the year, the Remuneration Committee has concluded that it has acted in accordance with its terms of reference. The chairman of the Remuneration Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

The Remuneration Committee unanimously recommends that shareholders vote to approve the Annual Report on Remuneration and the Directors' Remuneration Policy at the 2014 Annual General Meeting.

Your Company's performance

The graph below highlights the Company's total shareholder return ('TSR') performance since listing compared to the FTSE All Share Oil & Gas Producers index. This index has been selected on the basis that it represents a sector specific group which is an appropriate group for the Company to compare itself against. TSR is the return from a share or index based on share price movements and notional reinvestment of declared dividends.



Annual Report on Remuneration 2013
continued

The Chairman and Executive Directors of the Company have a regular dialogue with analysts and substantial shareholders, which includes the subject of Directors' Remuneration. The outcome of these discussions are reported to the Board and discussed in detail both there and during meetings of the Remuneration Committee. Mr Lehmann, as the Senior Independent Director, is available to shareholders who have concerns that they feel would be inappropriate to raise via the Chairman or Executive Directors.

The Annual General Meeting is used as an opportunity to communicate with all shareholders. In addition, financial results, including details of Directors remuneration, are posted on the Company's website, www.cadoganpetroleum.com, as soon as they are announced. It is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at the Annual General Meeting. The results of all resolutions will be published on the Company's website, www.cadoganpetroleum.com.

Arrangements for past Directors
Mr Ian Baron resigned as a Director on 15 June 2012 and received compensation of £80,000 for termination of his consultancy agreement without notice. Whilst a Director, Mr Baron was entitled to a payment of 10 per cent of his base salary into a suitable pension arrangement as long as he could demonstrate that he had made a contribution equating to 5 per cent of salary to the arrangement. A payment relating to the accrued value from February 2011 to February 2012 was made in 2013 and 2014.

Arrangements for existing Directors
During 2013, Mr Bertrand des Pallieres continued as Chief Executive Officer. Mr des Pallieres' salary is £246,000 ($384,941) per annum, comprising £216,000 ($337,997) per annum under a consultancy agreement (the terms of which are reviewed by the Remuneration Committee annually) and £30,000 ($46,944) per annum under a services agreement. Any bonus to be awarded to Mr des Pallieres is at the discretion of the Board. In addition, Mr des Pallieres is entitled to participate in an incentive scheme, the performance conditions for which are set by the Remuneration Committee.

Adelmo Schenato continued as Chief Operating Officer of the Company throughout 2013. Mr Schenato's basic salary is £212,093 ($331,728) comprising €225,000 per annum under a consultancy agreement and £21,000 under a services agreement. Any bonus to be awarded to Mr Schenato is at the discretion of the Board. In addition, Mr Schenato is entitled to participate in an incentive scheme, the performance conditions for which are set by the Remuneration Committee.

Information subject to audit:
2013 Directors' emoluments

Director	$ Salary/fees	$ Pension	$ Loss of office	$ Total in 2013	$ Salary/fees	$ Pension	$ Loss of office	$ Total in 2012
Z Furst	**133,008**	**-**	**-**	**133,008**	131,714	-	-	131,714
B des Pallieres	**384,941**	**-**	**-**	**384,941**	389,935	-	-	389,935
A Schenato	**331,728**	**-**	**-**	**331,728**	308,849	-	-	308,849
G Lehmann	**70,416**	**-**	**-**	**70,416**	71,330	-	-	71,330
E Testa	**54,768**	**-**	**-**	**54,768**	55,479	-	-	55,479
I Baron (resigned 15 June 2012)	**-**	**-**	**-**	**-**	121,524	31,966	126,808	280,298
TOTAL	**974,861**	**-**	**-**	**974,861**	1,078,831	31,966	126,808	1,237,605

The remuneration of the highest paid Director, Mr des Pallieres, was $384,941 (2012: $389,935).

There were no performance payments or benefits in kind paid in 2013 (2012: $nil).

Mr des Pallieres is a non-executive Director of Versatile Systems Inc. and Equus Total Returns Inc. Any fees paid are retained by Mr des Pallieres.

Share Incentive Arrangements
The Company currently operates the following incentive plans:

2008 Performance Share Plan ('PSP')
The PSP offers the opportunity to earn shares in the Company subject to the achievement of stretching performance targets. Awards can be made under the PSP at the direction of the Remuneration Committee with a value of up to a maximum of 200 per cent of base salary (400 per cent in exceptional circumstances).

No Directors who held office during the year have received any awards under the PSP.

Share options
The Company operates two share option plans: the 2008 Share Option Plan (unapproved for HMRC purposes) and the 2008 Approved Option Plan ('CSOP') (which is an HMRC approved plan).

No options have been exercised under any Option Scheme and thus no gain on exercise has been realised.

There are no options outstanding at 31 December 2013.

Non-Executive Directors
In May 2011 the Board agreed that the Chairman's fee be set at £85,000 ($131,714) and that the fee for acting as an independent non-executive Director be set at £35,000 ($55,479) with an additional £10,000 ($15,851) for acting as Chairman of the Audit Committee. There has been no increase in non-executive Directors' fees since that time.

Directors' Remuneration Policy
The Company adheres to the recommendation of the Code, that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the Company successfully. The Company, however, will not pay more than is necessary to achieve these objectives.

Those aspects of executive directors' remuneration which relate to performance will be testing in nature, and designed to promote the long-term success of the Company. At present, however, there are no plans to increase the level of fees paid to directors. In addition, views expressed by shareholders on the fees paid to directors, will be taken into consideration by the Board, when reviewing the Directors' Remuneration Policy and in the annual review of directors' fees. The Company's policy when determining the duration of notice periods, and the extent of termination payments, will be based on prevailing best practice. The Directors' Remuneration Policy will be put to a shareholders' vote, at least once every three years.

An Ordinary Resolution, for the approval of the Directors' Remuneration Policy, will be put to shareholders at the forthcoming Annual General Meeting. The Directors' Remuneration Policy will be effective immediately, if and when the Ordinary Resolution is passed by shareholders.

The Remuneration Committee is appointed by the Board from the non-executive Directors of the Group. The Remuneration Committee's terms of reference include all matters indicated by the Code. They are reviewed annually by the Remuneration Committee and any changes are then referred to the Board for approval. The terms of reference of the Remuneration Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum.

Service agreements
The Company's policy on service agreements is that executive Directors' agreements should, following any necessary initial notice period, be terminable by either the Company or the Director on not more than six months' notice. The service agreements contain provision for early termination, among other things, in the event of a breach by the executive but make no provision for any termination benefits except in the event of a change of control of the Company where the executive becomes entitled to 12 months' salary on termination by the Company. The service agreements contain restrictive covenants for a period of 12 months following termination of the agreement. Details of service agreements in place as at the date of this report are set out below:

Director	Current agreement start date	Notice period
B des Pallieres	1 August 2011	Six months
A Schenato	25 January 2012	Six months

Remuneration policy and package for executive Directors
The Remuneration Committee's philosophy is that remuneration arrangements should be appropriately positioned to support the Group's business strategy over the longer term and create value for shareholders. In this context the following key principles are considered to be important:

- remuneration arrangements should align executive and employee interests with those of shareholders;
- remuneration arrangements should help retain key executives and employees; and
- remuneration arrangements should incentivise executives to achieve short, medium and long-term business targets which represent value creation for shareholders. Targets should relate to the Group's performance in terms of overall revenue and profit and the executive's own performance. Individual targets should reflect the role of the executive in question but might relate, for example, to the generation of new revenue streams protection of the Company's existing tangible and intangible assets and the promotion of the Company's business interests. Exceptional rewards should only be delivered if there are exceptional returns.

Share Incentive Arrangements
The Company currently operates the following incentive plans:

- 2008 Performance Share Plan; and
- 2008 Share Option Plan with a corresponding HMRC approved plan.

The Company made no awards in 2013 under the 2008 Share Option Plan. There were no outstanding options as at 31 December 2013.

2008 Performance Share Plan ('PSP')
The PSP offers the opportunity to earn shares in the Company subject to the achievement of stretching performance targets. Awards can be made under the PSP at the direction of the Remuneration Committee with a value of up to a maximum of 200 per cent of base salary (400 per cent in exceptional circumstances).

No Directors who held office during the year have received any awards under the PSP.

Annual Report on Remuneration 2013
continued

Directors' interests in shares
The beneficial interests of the Directors in office as at 31 December 2013 and their connected persons in the Ordinary shares of the Company at 31 December 2013 are set out below.

Shares as at December 31	2013	2012
Z Furst	–	–
B des Pallieres	200,000	200,000
G Lehmann	–	–
E Testa	–	–
A Schenato	–	–

Share options
The Company operates two share option plans: the 2008 Share Option Plan (unapproved for HMRC purposes) and the 2008 Approved Option Plan ('CSOP') (which is an HMRC approved plan).

No options have been exercised under any Option Scheme and thus no gain on exercise has been realised.

There are no options outstanding at 31 December 2013.

Remuneration policy for non-executive Directors

Independent non-executive Directors
The payment policy for independent non-executive Directors is to pay the market rate to secure persons of a suitable calibre. The remuneration of the non-executive Directors is determined by the Board. External benchmarking data and specialist advisers are used when setting fees, which will be reviewed at appropriate intervals.

In May 2011 the Board agreed that the Chairman's fee be set at £85,000 ($131,714) and that the fee for acting as an independent non-executive Director be set at £35,000 ($55,479) with an additional £10,000 ($15,851) for acting as Chairman of the Audit Committee. There has been no increase in non-executive Directors' fees since that time.

The non-executive Directors' fees are non-pensionable. The non-executive Directors have not to date been eligible to participate in any incentive plans; however, the Board considers that it may be appropriate in the future to enable such participation, subject to suitably stretching performance thresholds. All non-executive Directors have a letter of appointment that appoints them to the Board for an initial three year period. Under the Company's Articles of Association, they are subject to retirement and reappointment by shareholders at the first Annual General Meeting following appointment, and then at least once every three years thereafter. The Board has agreed, however, that all Directors should stand for annual re-election by the shareholders. Appointments can be terminated by the Company on three months' notice or immediately due to a breach.

Other non-executive Directors
The dates of the non-executive Directors' original appointment and expiry of current term in accordance with their letters of appointment are:

Non-executive Director	Date of appointment	Expiry of current term
Z Furst	2 August 2011	1 August 2014
E Testa	1 October 2011	1 October 2014
G Lehmann	18 November 2011	Six months

Approval
The Annual Report on Remuneration 2013 was approved by the Board on 28 April 2014 and signed on its behalf by:

Zev Furst
Chairman
28 April 2014

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required under that law to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS regulation and have also elected to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under Company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing the Company and Group's financial statements, International Accounting Standards ('IAS') Regulation requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including Business Review), Annual Report on Remuneration, Directors' Remuneration Policy and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.cadoganpetroleum.com. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report
We confirm to the best of our knowledge:

(1) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
(2) the management report, which is incorporated into the Directors' Report along with the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
(3) the annual report and the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Zev Furst
Chairman
28 April 2014

Independent Auditor's Report to the Members of Cadogan plc

Independent Auditor's Report to Members of Cadogan Petroleum plc
We have audited the financial statements of Cadogan Petroleum plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements of Cadogan plc
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Emphasis of matter – political and economic turmoil in Ukraine
As discussed in note 4 Critical accounting judgements and key sources of estimation uncertainty, the impact of ongoing political and economic turmoil in Ukraine and its final resolution remains uncertain. The current situation in the country may adversely affect the economy and therefore undermine certain key assumptions made by management in assessing the recoverable amounts of oil and gas assets such as, but not limited to, future gas prices and the discount factor.

We describe below how the scope of our audit has responded to this risk. Our opinion is not modified in respect of this matter.

Going concern
We have reviewed the Directors' report on page 20 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Political and economic turmoil in Ukraine All Group business activity and assets are located in Ukraine. The potential future impact of the political and economic situation on the business operations is highly uncertain. Consideration is required whether the carrying values of assets remain recoverable, whether the going concern assumption is appropriate and whether appropriate disclosures have been made.	We have analysed the potential impact of ongoing political instability in Ukraine on the key assumptions used by management in the assessment of the recoverable amount of production assets, including gas prices and the discount factor. We also assessed the potential impact of the ongoing crisis on the going concern assumption by modelling the impact of various downside scenarios, including inflation caused by depreciation of national currency, potential difficulties with the upcoming extension of licences and issues related to the protection of assets. We considered the adequacy of the disclosures made in both the financial statements and the front half of the annual report. Details of the Group's assessment of the operating environment in Ukraine and uncertainties about key assumptions made by management in assessing the recoverable amount of oil and gas assets are disclosed in note 4.
Recoverability of intangible exploration and evaluation (E&E) assets IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires management to consider whether there are facts and circumstances indicating that they should test E&E assets for impairment. This involves the use of significant judgment both in the review of impairment indicators and, in any subsequent impairment test, the consideration of estimates which are dependent on assumptions about the future.	We evaluated management's assessment whether there were any indicators of impairment for the Group's E&E assets, taking into consideration the impairment indicators outlined in IFRS 6. Our audit procedures included discussion of the latest status and future appraisal plans on each licence with operational staff and Group management, confirming that the E&E assets are included in capital expenditure plans and budgets, and verifying whether the current phase of the Group's licence to explore is at, or close to, expiry. We have also obtained and reviewed documentary evidence, such as budgets, field working programmes, contracts for future geological and geophysical (G&G) activities, and licence documents. Details of the Group's policy on E&E assets are disclosed in note 3.
Recoverability of development and producing oil and gas properties within property, plant and equipment Management is required to assess whether there are any indications of impairment, and if so test for impairment by measuring the recoverable amount of the asset. In forming their judgements as to whether indications of impairment are present, management considers estimates involving oil and gas reserves, future oil and gas prices, future costs and discount rates.	We have challenged management's assessment of potential impairment indicators in light of the performance of each asset, future development plans and external factors such as the outlook for gas and oil prices and the social and political unrest in the country. With ongoing delays to gas and gas condensate production at the Pirkovskaya acreage, management has carried out an impairment review and calculated the recoverable amount based on fair value less cost to sell. We have considered gas price assumptions and discount rates for reasonableness by reference to available market data and compared future expenditures with approved budgets. We also performed sensitivity analysis around the key drivers of the cash flow forecasts being future gas prices, production forecasts, capital expenditure and discount factor. Details of the Group's policy on impairment are disclosed in note 4

Independent Auditor's Report to the Members of Cadogan plc continued

Risk	How the scope of our audit responded to the risk
Recoverability of investments in joint ventures Following the adoption of IFRS 11 as described in note 2, interests in joint ventures are being accounted for under the equity method where previously they were proportionately consolidated. All joint ventures the Group has interests in are involved in the development of exploration and evaluation oil and gas assets, therefore management, in forming their judgements as to whether indications of impairment are present, considers estimates involving future committed capital spending of joint venture partners, assessment of recoverability of accumulated capital spending and ability to meet licence requirements.	We evaluated management's assessment of whether there were any indicators of impairment for the Group's interests in joint ventures, taking into consideration the impairment indicators outlined in IFRS 6. We held discussions of the latest status and future appraisal plans on each licence with operational staff and Group management and compared these plans with approved budgets. We have reviewed correspondence and meeting minutes with joint venture partners, confirming that the partners are committed to certain further investments. Details of the Group's policy on joint ventures are disclosed in note 4.
Going Concern The Group has generated losses for a number of years and cash flows the Group generates from gas sales are not sufficient to finance capital expenditures required for further fields' exploration and development and to finance ongoing business needs.	We have assessed the extent to which the Group has sufficient funds to meet its obligations and continue in operational existence for at least 12 months from the date of the Annual Report. We have agreed to approved budgets the key judgments and assumptions within the Group's future cash flow forecasts, including sales volume, operating and administrative expenses and capital expenditures and obtained evidence for all material deviations from 2013 assumptions. We also assessed the sensitivity of the director's calculations to changes in key inputs, in particular forecast underlying profits from trading activities.

The Audit Committee's consideration of these risks is set out on page 26.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

When setting materiality, among other factors we considered the Group's pre-tax profit and net assets in the current period as well as in recent periods; the occurrence of any non-recurring or fluctuating gains and losses (such as exploration and evaluation assets impairments and exceptional gains and losses) and the level of consolidated shareholders equity. We determined materiality for the Group to be $4,000,000, which is below 2.3% of consolidated shareholders equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $80,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we have included in the group audit scope the full audit of significant entities in Ukraine and in the UK. These businesses account for over 90% of the Group's net assets, revenue and profit before tax. Our audit work used individual levels of materiality applicable to significant entities in Ukraine and UK-registered entities which were lower than Group materiality. The group audit team included members from Deloitte Ukraine as all assets are located there and in-depth knowledge of local legislation and tax regulations is required, thus no component auditors were involved.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made, or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters or our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matter
Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GROUP OVERVIEW
DIRECTORS' REPORT
CORPORATE GOVERNANCE
REMUNERATION REPORT
FINANCIAL STATEMENTS
GLOSSARY
SHAREHOLDER INFORMATION

Independent Auditor’s Report to the Members of Cadogan plc continued

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and the Parent Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Timothy Biggs FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 April 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 $'000	Restated 2012 $'000
CONTINUING OPERATIONS			
Revenue	5	**3,772**	3,761
Cost of sales		**(3,019)**	(2,616)
Gross profit		**753**	1,145
Administrative expenses:			
Other administrative expenses		**(8,919)**	(7,456)
Impairment of oil and gas assets	8	**-**	(25,717)
Reversal of impairment of other assets	8	**234**	669
		(8,685)	(32,504)
Share of losses in joint ventures	19	**(6,630)**	(58,277)
Other operating expenses, net	6	**(266)**	(2,926)
Operating loss		**(14,828)**	(92,562)
Investment revenue	12	**434**	118
Finance (costs)/income	13	**(6)**	34
Loss before tax		**(14,400)**	(92,410)
Tax charge	14	**(289)**	(251)
Loss for the year	9	**(14,689)**	(92,661)
Attributable to:			
Owners of the Company		**(14,660)**	(92,631)
Non-controlling interest		**(29)**	(30)
		(14,689)	(92,661)

Loss per Ordinary share		**cents**	cents
Basic and diluted	15	**(6.3)**	(40.1)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 $'000	Restated 2012 $'000
Loss for the year	**(14,689)**	(92,661)
Items that may be reclassified subsequently to profit or loss:		
Unrealised currency translation differences	**(3,551)**	4,384
Total comprehensive loss for the year	**(18,240)**	(88,277)
Attributable to:		
Owners of the Company	**(18,211)**	(88,247)
Non-controlling interest	**(29)**	(30)
	(18,240)	(88,277)

Consolidated Balance Sheet
As at 31 December 2013

	Notes	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	16	**5,958**	3,017	2,207
Property, plant and equipment	17	**43,886**	46,378	47,985
Investments in joint ventures	19	**65,965**	67,908	106,286
		115,809	117,303	156,478
Current assets				
Inventories	20	**2,951**	3,482	4,007
Trade and other receivables	21	**6,879**	39,621	63,647
Cash and cash equivalents	21	**56,484**	40,477	64,301
		66,314	83,580	131,955
Total assets		**182,123**	200,883	288,433
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	22	**(675)**	(586)	(458)
Long-term provisions	24	**(195)**	(219)	(395)
		(870)	(805)	(853)
Current liabilities				
Trade and other payables	23	**(3,442)**	(4,087)	(3,625)
Current provisions	24	**(513)**	(453)	(140)
		(3,955)	(4,540)	(3,765)
Total liabilities		**(4,825)**	(5,345)	(4,618)
NET ASSETS		**177,298**	195,538	283,815
EQUITY				
Share capital	25	**13,337**	13,337	13,337
Retained earnings		**282,871**	297,438	388,407
Cumulative translation reserves		**(120,838)**	(117,287)	(121,671)
Other reserves		**1,589**	1,682	3,344
Equity attributable to owners of the Company		**176,959**	195,170	283,417
Non-controlling interest		**339**	368	398
TOTAL EQUITY		**177,298**	195,538	283,815

The consolidated financial statements of Cadogan Petroleum plc, registered in England and Wales no. 5718406, were approved by the Board of Directors and authorised for issue on 28 April 2014. They were signed on its behalf by:

Bertrand Des Pallieres
Chief Executive Officer
28 April 2014

The notes on pages 46 to 79 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 $'000	Restated 2012 $'000
Net cash inflow/(outflow) from operating activities	26	**23,994**	(525)
Investing activities			
Investments in joint ventures		**(4,687)**	(22,478)
Purchases of property, plant and equipment		**(783)**	(1,083)
Purchases of intangible exploration and evaluation assets		**(3,069)**	(87)
Proceeds from sale of property, plant and equipment		**127**	227
Interest received		**434**	118
Net cash used in investing activities		**(7,978)**	(23,303)
Net increase/(decrease) in cash and cash equivalents		**16,016**	(23,828)
Effect of foreign exchange rate changes		**(9)**	4
Cash and cash equivalents at beginning of year		**40,477**	64,301
Cash and cash equivalents at end of year		**56,484**	**40,477**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

				Other reserves			
	Share capital $'000	Retained earnings $'000	Cumulative translation reserves $'000	Share-based payment $'000	Reorganisation $'000	Non-controlling interest $'000	Total $'000
As at 1 January 2012	**13,337**	**389,734**	**(123,784)**	**1,755**	**1,589**	**398**	**283,029**
Adoption of new standard	–	(1,327)	2,113	–	–	–	786
As at 1 January 2012 (as restated)	**13,337**	**388,407**	**(121,671)**	**1,755**	**1,589**	**398**	**283,815**
Net loss for the year	–	(93,106)	–	–	–	(30)	(93,136)
Exchange translation differences on foreign operations	–	–	4,384	–	–	–	4,384
Total comprehensive loss for the year	**–**	**(93,106)**	**4,384**	**–**	**–**	**(30)**	**(88,752)**
Share-based payments	–	1,662	–	(1,662)	–	–	–
Adoption of new standard	–	475	–	–	–	–	475
As at 1 January 2013 (as restated)	**13,337**	**297,438**	**(117,287)**	**93**	**1,589**	**368**	**195,538**
Net loss for the year	–	(14,660)	–	–	–	(29)	(14,689)
Exchange translation differences on foreign operations	–	–	(3,551)	–	–	–	(3,551)
Total comprehensive loss for the year	**–**	**(14,660)**	**(3,551)**	**–**	**–**	**(29)**	**(18,240)**
Share-based payments	–	93	–	(93)	–	–	–
As at 31 December 2013	**13,337**	**282,871**	**(120,838)**	**–**	**1,589**	**339**	**177,298**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. General information

Cadogan Petroleum plc (the ‘Company’, together with its subsidiaries the ‘Group’), is registered in England and Wales under the Companies Act. The address of the registered office is 1st Floor, 40 Dukes Place, London, EC3A 7NH. The nature of the Group’s operations and its principal activities are set out in the Operations Review on pages 7 to 9 and the Financial Review on pages 10 to 11.

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations are effective but have not had any significant impact on the financial statements:

IFRS 3 (amended)	*Business Combinations*
IFRS 13	*Fair Value Measurement*
IAS 24 (amended)	*Related Party Disclosures*
IAS 32 (amended)	*Classification of Rights Issues*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
IFRIC 14 (amended)	*Prepayments of a Minimum Funding Requirement*

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	*Financial Instruments (effective 1 January 2015)*
IFRS 10, IFRS 12, IAS 27 (amended)	*Investment entities (effective 1 January 2014)*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)*

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The following accounting amendments, standards and interpretations were not yet effective in the current reporting period but were early adopted:

IFRS 10	Consolidated Financial Statements
IAS 27	Separate Financial Statements
IFRS 11	Joint Arrangements
IAS 28	Investment in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities

The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. A number of other amendments to accounting standards issued by the International Accounting Standards Board also apply for the first time in 2013. These do not have a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

The nature and the impact of each new amendment, standard or interpretation are described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 replaces the parts of the previously existing IAS 27 that dealt with consolidated financial statements. The new standard changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to control those returns through its power over the investee. The adoption of IFRS 10 has had no impact on the consolidation of investments held by the Group.

2. Adoption of new and revised Standards continued

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers and changes the classifications for joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint ventures or joint operations based on the rights and obligations of the parties to the arrangement. When a joint arrangement has been structured through a separate vehicle, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates the parties to the arrangement have rights to the assets and obligations for the liabilities. The Group has considered these facts and circumstances, among others, in assessing whether the arrangement is a joint operation or a joint venture. The standard removes the option to account for joint ventures using proportionate consolidation and instead joint arrangements that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this standard has resulted in the existing joint ventures LLC Astroinvest-energy, LLC Gazvydobuvannya and LLC Westgasinvest being accounted for under the equity method where previously they were proportionately consolidated. No other material joint arrangements within the Group were affected. The Group has applied IFRS 11 retrospectively in accordance with the transitional provisions and the 2012 results have been restated accordingly. Further detail of the impact on the Group financial statements for the year ended 31 December 2013 and the year ended 31 December 2012 is set out in note 30.

3. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU'), and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost convention basis, except for share-based payments, accounting for the WGI transaction, and other financial assets and liabilities, which have been measured at fair values, and using accounting policies consistent with IFRS.

The principal accounting policies adopted are set out below:

(b) Going concern

The Group's business activities, together with the factors likely to affect future development, performance and position are set out in the Business Review on pages 6 to 11. The financial position of the Group, its cash flow and liquidity position are described in the Financial Review on pages 10 to 11.

The Group's cash balance at 31 December 2013 was $56.5 million (2012: $40.5 million) excluding $0.2 million (2012: $0.7 million) of Cadogan's share of cash and cash equivalents in joint ventures with no external debt (2012: $nil) and the Directors believe that the funds available at the date of the issue of these financial statements is sufficient for the Group to manage its business risks successfully.

The Group's forecasts and projections, taking into account reasonably possible changes in operational performance, start dates and flow rates for commercial production and the price of hydrocarbons sold to Ukrainian customers, show that there are reasonable expectations that the Group will be able to operate on funds currently held and those generated internally, for the foreseeable future without the requirement to seek external financing.

As the Group engages in oil and gas exploration and development activities, the most significant risk faced by the Group is delays encountered in achieving commercial production from the Group's major fields. The Group also continues to pursue its farm-out campaign, which, if successful, will enable it to farm-out a portion of its interests in its oil and gas licences to spread the risks associated with further exploration and development.

After making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis of accounting to be appropriate. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In making its statement the Directors have considered the recent political and economic uncertainty in Ukraine, as described further in the note 4 (f).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

3. Significant accounting policies continued

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. IFRS 10 defines control to be investor control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to control those returns through its power over the investee.

The results of subsidiaries acquired of or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

(d) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 *Non-Current Assets* held for sale *and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

(e) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for hydrocarbon products and services provided in the normal course of business, net of discounts, value added tax ('VAT') and other sales-related taxes.

Sales of hydrocarbons are recognised when the title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

To the extent that revenue arises from test production during an evaluation programme, an amount is charged from evaluation costs to cost of sales, so as to reflect a zero net margin.

3. Significant accounting policies continued

(g) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of the Company is pounds sterling. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each Group company ('foreign currencies') are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the results and financial position of each entity of the Group are translated into US dollars as follows:

i. assets and liabilities of the Group's foreign operations are translated at the closing rate on the balance sheet date;
ii. income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used; and
iii. all resulting exchange differences arising, if any, are recognised in other comprehensive income and accumulated equity (attributed to non-controlling interests as appropriate), transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The relevant exchange rates used were as follows:

	Year ended 31 December 2013	
	GBP/USD	USD/UAH
Closing rate	1.6491	8.3920
Average rate	1.5648	8.2545

(h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

3. Significant accounting policies continued

(i) Property, plant and equipment

Property, plant and equipment ('PP&E') are carried at cost less accumulated depreciation and any recognised impairment loss.

Depreciation and amortisation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	4%
Fixtures and equipment	10% to 30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(j) Impairment of Property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Intangible exploration and evaluation assets

The Group applies the modified full cost method of accounting for intangible exploration and evaluation ('E&E') expenditure as set out in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under the modified full cost method of accounting, expenditure made on exploring for and evaluating oil and gas properties is accumulated and initially capitalised as an intangible asset, by reference to appropriate cost centres being the appropriate oil or gas property. E&E assets are then assessed for impairment on a cost pool basis as described below.

E&E assets comprise costs of (i) E&E activities which are in progress at the balance sheet date, but where the existence of commercial Reserves has yet to be determined (ii) E&E expenditure which, whilst representing part of the E&E activities associated with adding to the commercial Reserves of an established cost pool, did not result in the discovery of commercial Reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as incurred.

Exploration and Evaluation costs

E&E expenditure is initially capitalised as an E&E asset. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are also capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment) are normally classified as PP&E. However, to the extent that such assets are consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of PP&E items utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E assets are not amortised prior to the conclusion of appraisal activities.

3. Significant accounting policies continued

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration property are carried forward, until the existence (or otherwise) of commercial Reserves has been determined. If commercial Reserves have been discovered, the related E&E assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the income statement. Upon approval of a development program, the carrying value, after any impairment loss, of the relevant E&E assets is reclassified to the development and production assets within PP&E.

Intangible E&E assets that relate to E&E activities that are determined not to have resulted in the discovery of commercial Reserves remain capitalised as intangible E&E assets at cost less accumulated amortisation, subject to meeting a pool-wide impairment test in accordance with the accounting policy for impairment of E&E assets set out below. Such E&E assets are amortised on a unit-of-production basis over the life of the commercial Reserves of the pool to which they relate.

Impairment of E&E assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and include the point at which a determination is made as to whether or not commercial Reserves exist.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, they are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit.

The aggregate carrying value of the relevant assets is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial Reserves from that pool. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial Reserves and the E&E assets concerned will generally be impaired in full. Impairment losses are recognised in the income statement as additional depreciation and amortisation and are separately disclosed.

The Group considers the whole of Ukraine to be one cost pool and therefore aggregates all Ukrainian assets for the purposes of determining whether impairment of E&E assets has occurred.

(l) Development and production assets

Development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial Reserves discovered and bringing them into production, together with E&E expenditures incurred in finding commercial Reserves transferred from intangible E&E assets.

The cost of development and production assets comprises the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning.

Depreciation of producing assets

Depreciation is calculated on the net book values of producing assets on a field-by-field basis using the unit of production method. The unit of production method refers to the ratio of production in the reporting year as a proportion of the proved and probable Reserves of the relevant field, taking into account future development expenditures necessary to bring those Reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same Reserves for depreciation purposes, but are depreciated separately from producing assets that serve other Reserves.

(m) Inventories

Raw materials and oil stock are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is allocated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

3. Significant accounting policies continued

(n) Financial instruments

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables; available-for-sale financial assets; held to maturity investments; and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which will then be classified as non-current assets. Loans and receivables are classified as "other receivables" and "cash and cash equivalents" in the balance sheet.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss which is included in the 'Other gains and losses' line item in the consolidated income statement. Fair value is determined in the manner described in note 28.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount of the financial asset and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies continued

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss and is included in the 'Other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 28.

Trade payables and short-term borrowings

Trade payables and short-term borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Decommissioning

A provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement on a unit of production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included within finance costs.

(q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

(r) Share-based payments

The Group issued equity-settled share-based payments to certain parties in return for services or goods. The goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received at the grant date. The fair value of the services or goods received is recognised as an expense except in so far as they relate to the cost of issuing or acquiring its own equity instruments. The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

The Group also issued equity-settled share-based payments to certain Directors and employees. Equity settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date for each tranche of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For those equity-settled share-based payments with market-based performance conditions, fair value is measured by use of the Stochastic model. For those which are not subject to any market based performance conditions, fair value is measured by use of the Black-Scholes model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

4. Critical accounting judgements and key sources of estimation uncertainty continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of E&E and PP&E

IAS 36 *Impairment of Assets* and IFRS 6 *Exploration for and Evaluation of Mineral Resources* require that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

For PP&E assets the aggregate carrying value of each cash generating unit ('CGU') was compared against the expected recoverable amount of the related asset, by reference to the net present value of the future cash flows expected to be derived from the production of commercial Reserves (2P Reserves) of that unit.

The Group considers the whole of Ukraine to be one cost pool and therefore aggregates all Ukrainian assets for the purposes of determining whether impairment of E&E assets has occurred. E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 Exploration for and Evaluation of Mineral Resources and include the point at which a determination is made as to whether or not commercial Reserves exist. In 2013, the Group has performed significant volume of work which it continues in 2014, including the extension of the Pokrovskoe license exploration for a shallow stratigraphic levels, re-interpretation of the existing 3D seismic, in order to evaluate the remaining potential of the full Pokrovskoe license.

Management assessed whether any impairment triggers were present at 31 December 2013 and concluded that the following impairment indicators existed for the Pirkovska license area:

- High uncertainty about the impact of political and economic turmoil in Ukraine on Group operations;
- Significant market capitalization discount to the carrying amount of the net assets of the entity; and
- Lack of production at Pirkovska license area since 2009

Management determined the recoverable amount of the Pirkovska license as its fair value less cost to sell (FVLCS). The key assumptions for the FVLCS calculations are those regarding the production flow rates, discount rates, relevant elements of Ukraine fiscal regime for petroleum operators, and expected selling prices and direct costs. These assumptions reflect management's best estimates. Management estimates discount rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

- The key assumptions used to forecast cash flows from Ukraine operations are as follows:pre-tax discount rate of 17.86% (post-tax of 15%); Due to the recent events in Ukraine, there is an increased level of risk associated with operating in Ukraine, and consequently a revision of discount rate might be required if escalation of political turmoil result in significant downgrading of country risk, or company' own risk, or both;
- expected future selling prices based on current and anticipated market conditions for oil, condensate and gas. The regulated gas price for the industrial users in Ukraine was set at about 10% lower than during 2013. However, it has been announced by Gazprom that the price for Ukraine, which is the reference price for the Regulator setting the maximum price for the industrial consumers, from 1 April 2014 onwards will not include any discounts and will be in line with the original Gazprom and Naftogaz contract. Nevertheless, there continues to be a level of uncertainty in forecasting the Ukraine gas price due to the current events. The estimate used in the calculation uses the gas price referenced to Gazprom and Naftogaz contract (conservatively including $100/mcm discount as the result of Kharkiv agreements of 2010), there is however declarations by Gazprom that this discount will no longer apply;
- cash flows projected up to 2034 depending on the field to which they relate and an assumption has been made that the relevant licenses will be extended. The assumption has been made based on the most recent analysis of political turmoil impacts. Further escalations of the political crisis may impact the Group's normal business activities, including maintenance of its Ukrainian production licences;
- production flow rates confirmed by experienced in-house geologists and engineers, supported by report produced in 2009 by an independent reservoir engineer, Gaffney, Cline & Associates Ltd;
- costs based on best estimates with consideration to previous experience and inflation; and
- inclusion of relevant elements of Ukraine fiscal regime for petroleum operators (such as production and royalty tax relevant to each license;

4. Critical accounting judgements and key sources of estimation uncertainty continued

(b) Reserves

Commercial Reserves are proven and probable ('2P') oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable Reserves will be more than the amount estimated as proven and probable Reserves and a 50 per cent statistical probability that it will be less.

Commercial Reserves used in the calculation of depreciation and for impairment test purposes are determined using estimates of oil and gas in place, recovery factors and future oil and gas prices. Management base their estimate of oil and gas Reserves and Resources upon the Report provided by independent advisers.

(c) Recoverability of VAT

The Group has significant receivables from the State Budget of Ukraine relating to reimbursement of VAT arising on purchases of goods and services from external service and product providers. Due to the budgetary problems of Ukraine, the recovery of VAT has been an issue for most companies operating in Ukraine. In the past the Group has taken a conservative view in relation to VAT and has impaired all outstanding balances due to the uncertainty of the recovery of these balances in cash from the State Budget of Ukraine and uncertainty of future production, VAT on which would be offset against the VAT recoverable amounts the Group has.

The Group will continue to use an approach consistent with prior years by impairing Ukrainian VAT and recognising the recovery in the period it has been made. A cumulative provision of $9.5 million (2012: $10.1 million) against Ukrainian VAT receivable has thus been recognised as at 31 December 2013, excluding VAT recoverable balances in the JV which are reported under equity method in these financial statements.

(d) Accounting for the WGI transaction

As a consequence of the WGI transaction, outlined in note 19, two areas of significant judgement were identified by the Group, being the accounting treatment of the WGI transaction and the valuation of the Group's contribution of the two licenses to WGI. After considering the requirements per IAS 31 *Interest In Joint Ventures*, the Directors have deemed the criteria under this standard to have been met, and have therefore accounted for WGI as a joint venture.

In accounting for the contribution of the licenses, the Group have applied IAS 31 and SIC Interpretation 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, which states that any profit or loss arising on the contribution of non-monetary assets in exchange for an equity interest should be recognised to the extent they are attributable to the equity interests of the other venturers. Whilst the licenses contributed had a nil NBV in the books of the Group at the date of contribution, the associated fair value of the licenses contributed in return for the 15.0% interest in WGI has been estimated at $6.4 million. The resultant profit recognised in the income statement is $5.4 million which represents the un-eliminated 84.9% share of the gain on contribution of these licenses. The Group has accordingly recognised an intangible asset of $5.4 million as its share of the licenses.

As at 31 December 2012 the Group has adopted IFRS 11, according to which joint ventures have been recognized in the financial statements of the Group using equity method (see note 19).

(e) Assessment of political and economic turmoil in Ukraine impact on Group operations

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook. The Government however is expecting significant funding from the international creditors in 2014, with International Monetary Fund ("IMF") being the largest.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy.

Management is monitoring how the political and economic situation is affecting the Group operations, and has considered whether adjustments are required to the carrying values of assets and the appropriateness of the going concern assumption. As a result management have concluded that there were no significant adverse consequences in relation to the Group's operations, cash flows and assets that impact the 2013 financial statements, apart from continuous uncertainty related to key assumptions used by management in assessment of the recoverable amount of production assets as described above. Any further escalations of the political crisis may impact the Group's normal business activities, and increase the risks relating to its business operations, financial status and maintenance of its Ukrainian production licences.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

5. Revenue

	2013 $'000	2012 $'000
Sale of hydrocarbons	**2,619**	2,999
Other revenues	**1,153**	762
	3,772	3,761

Other revenues represent revenues from services provided to third parties of $1.2 million (2012: $0.8 million).

Information about major customers

Included in revenues for the year ended 31 December 2013 are revenues of $1.2 million (2012–$2.4 million) which arose from sales to the Group's largest customer.

6. Other operating expenses, net

	2013 $'000	2012 $'000
Out of court settlements	**65**	597
Transactions with JV partner	**(60)**	88
Net foreign exchange losses	**(271)**	(3,611)
	(266)	(2,926)

Net foreign exchange loss of $0.3 million mainly relates to the revaluation of the USD-denominated monetary assets of the Group's UK entities which have GBP as a functional currency.

7. Business and geographical segments

The Directors continue to consider there to be only one business segment, the exploration and development of oil and gas assets and only one geographical segment, being Ukraine.

8. Impairment

	2013 $'000	2012 $'000
Impairment of oil and gas assets	**-**	(25,717)
Inventories (note 20)	**97**	(323)
VAT recoverable (note 4(d))	**137**	992
Impairment of other assets	**234**	669

The carrying value of inventory as at 31 December 2013 and 2012 has been impaired to reduce it to net realisable value (see note 20). During 2013 the Group gross sales of inventory to third parties comprised $0.4 million (2012: $1.6 million) and some sales were for the higher amounts than the book value of inventories, therefore $0.1 million of the inventory impairment provision previously recognised has been released.

During the year a net release of impairment $0.1 million (2012: $0.9 million) in respect of Ukrainian VAT as the result of VAT recovery of historical balances through offset of VAT liabilities arising on sales.

Total impairment for 2012 of oil and gas assets of $25.7 million includes $24.7 million ($35.0 million undiscounted) impairment of the bonus to be received from Eni on obtaining the production licence on Zagoryanska licence which formed part of the consideration on disposal of 60% in the Zagoryanska licence to Eni in 2011.

9. Loss for the year

The loss for the year has been arrived at after charging/(crediting):

	2013 $'000	Restated 2012 $'000
Depreciation of property, plant and equipment	**(1,201)**	(1,352)
Loss on disposal of property, plant and equipment	**(227)**	(285)
Reversal of impairment of other assets (note 8)	**234**	669
Impairment of oil and gas assets (note 8)	**-**	(25,717)
Staff costs	**(4,790)**	(4,753)
Net foreign exchange losses	**(271)**	(3,611)

In addition to the depreciation of PP&E of $1.2 million (2012: $1.4 million) in the year ended 31 December 2013, depreciation of $0.2 million (2012: $0.4 million) was capitalised to E&E assets being depreciation of tangible assets used in E&E activities.

10. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2013 $'000	Restated 2012 $'000
Audit fees		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**201**	232
Fees payable to the Company's auditor and their associates for other services to the Group:		
– The audit of the Company's subsidiaries	**13**	27
Total audit fees	**214**	259
Non-audit fees		
– Audit-related assurance services	**20**	21
– Taxation compliance services	**45**	98
– Other taxation advisory services	**40**	–
Non-audit fees	**105**	119

11. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2013 Number	2012 Number
Executive Directors	**2**	2
Other employees	**116**	124
	118	126
Total number of employees at 31 December	**118**	126
	$'000	$'000
Their aggregate remuneration comprised:		
Wages and salaries	**5,102**	5,191
Other pension costs	**-**	36
Social security costs	**725**	748
	5,827	5,975

Within wages and salaries $0.7 million (2012: $0.7 million) relates to amounts accrued and paid to executive Directors for services rendered.

Included within wages and salaries, is $0.3 million (2012: $0.2 million) capitalised to intangible E&E assets and $0.1 million (2012: $0.2 million) capitalised to development and production assets.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

12. Investment revenue

	2013 $'000	2012 $'000
Interest on bank deposits	**283**	118
Interest on loans issued	**151**	–
	434	118

13. Finance (costs)/income

	2013 $'000	2012 $'000
Unwinding of discount on decommissioning provision (note 24)	**(6)**	34

14. Tax

	2013 $'000	2012 $'000
Current tax	**169**	121
Deferred tax (note 22)	**120**	130
	289	251

The Group's operations are conducted primarily outside the UK. The most appropriate tax rate for the Group is therefore considered to be 19 per cent (2012: 21 per cent), the rate of profit tax in Ukraine which is the primary source of revenue for the Group. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation charge for the year can be reconciled to the loss per the income statement as follows:

	2013 $'000	2013 %	2012 $'000	2012 %
Loss before tax	**(14,400)**	**100**	(92,410)	100
Tax credit at Ukraine corporation tax rate of 19% (2012: 21%)	**(2,736)**	**19**	(19,406)	21
Permanent differences	**3,004**	**(21.0)**	17,776	(19.2)
Foreign exchange on operating activities	**(552)**	**3.8**	730	(0.8)
Tax losses generated in the year not yet recognised	**857**	**(6.0)**	1,041	(1.1)
Other temporary differences	**-**	**0.0**	446	(0.5)
Effect of different tax rates	**(284)**	**2.0**	(336)	0.4
Tax credit and effective tax rate for the year	**289**	**(2.1)**	251	(0.2)

15. Loss per Ordinary share

Basic loss per Ordinary share is calculated by dividing the net loss for the year attributable to owners of the Company by the weighted average number of Ordinary shares outstanding during the year. The calculation of the basic and diluted loss per share is based on the following data:

Loss attributable to owners of the Company	2013 $'000	2012 $'000
Loss for the purposes of basic loss per share being net loss attributable to owners of the Company	**(14,660)**	(92,631)

Number of shares	2013 Number '000	2012 Number '000
Weighted average number of Ordinary shares for the purposes of basic profit per share	**231,092**	231,092
Effect of dilutive potential ordinary shares:		
Options and warrants outstanding	-	93
Weighted average number of Ordinary shares for the purposes of diluted profit per share	**231,092**	231,185

	2013 Cent	2012 Cent
Loss per Ordinary share		
Basic	(6.3)	(40.1)
Diluted	(6.3)	(40.1)

Diluted loss per Ordinary share equals basic loss per Ordinary share as there is no dilutive effect from the outstanding share warrants.

16. Intangible exploration and evaluation assets

Cost	$'000
At 1 January 2012 (as restated)	**31,951**
Additions	973
Change in estimate of decommissioning assets (note 24)	(89)
Transfer to property, plant and equipment (note 17)	(31)
Disposals	30
Exchange differences	215
At 1 January 2013 (as restated)	**33,049**
Additions	3,276
Change in estimate of decommissioning assets (note 24)	16
Transfer from property, plant and equipment (note 17)	34
Disposals	(118)
Exchange differences	(1,362)
At 31 December 2013	**34,895**

Impairment	
At 1 January 2012 (as restated)	**29,941**
Exchange differences	91
At 1 January 2013 (as restated)	**30,032**
Exchange differences	(1,095)
At 31 December 2013	**28,937**

Carrying amount	
At 31 December 2013	**5,958**
At 31 December 2012 (as restated)	3,017

Additions during the year include $0.2 million (2012: $0.3 million) of capitalised depreciation of development and production assets used in exploration and evaluation activities.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

17. Property, plant and equipment

Cost	Other $'000	Development and production assets $'000	Total $'000
At 1 January 2012 (as restated)	2,846	59,712	62,558
Additions	293	783	1,076
Transfer from intangible exploration and evaluation assets	28	3	31
Change in estimate of decommissioning assets (note 24)	–	263	263
Disposals	(156)	(1,381)	(1,537)
Exchange differences	43	493	536
At 1 January 2013 (as restated)	3,054	59,873	62,927
Additions	217	585	802
Transfer to intangible exploration and evaluation assets	–	(34)	(34)
Transfer to other assets	80	(80)	–
Change in estimate of decommissioning assets (note 24)	–	42	42
Disposals	(138)	(416)	(554)
Exchange differences	(112)	(2,479)	(2,591)
At 31 December 2013	**3,101**	**57,491**	**60,592**
Accumulated depreciation and impairment			
At 1 January 2012 (as restated)	1,448	13,182	14,630
Impairment	–	1,036	1,036
Charge for the year	397	1,315	1,712
Disposals	(59)	(985)	(1,044)
Exchange differences	33	182	215
At 1 January 2013 (as restated)	1,819	14,730	16,549
Charge for the year	326	1,062	1,388
Disposals	(82)	(360)	(442)
Exchange differences	(65)	(724)	(789)
At 31 December 2013	**1,998**	**14,708**	**16,706**
Carrying amount			
At 31 December 2013	**1,103**	**42,783**	**43,886**
At 31 December 2012 (as restated)	1,235	45,143	46,378

18. Subsidiaries

The Company had investments in the following subsidiary undertakings as at 31 December 2013, which principally affected the profits and net assets of the Group:

Name	Country of incorporation and operation	Proportion of voting interest %	Activity
Directly held			
Cadogan Petroleum Holdings Ltd	UK	100	Holding company
Ramet Holdings Ltd	Cyprus	100	Holding company
Indirectly held			
Rentoul Ltd	Isle of Man	100	Holding company
Cadogan Petroleum Holdings BV	Netherlands	100	Holding company
Cadogan Bitlyanske BV	Netherlands	100	Holding company
Cadogan Delta BV	Netherlands	100	Holding company
Cadogan Astro Energy BV	Netherlands	100	Holding company
Cadogan Pirkovskoe BV	Netherlands	100	Holding company
Momentum Enterprise (Europe) Ltd	Cyprus	100	Holding company
Cadogan Ukraine Holdings Limited	Cyprus	100	Holding company
Cadogan Momentum Holdings Inc.	Canada	100	Holding company
USENCO International Inc.	USA	100	Holding company
Radley Investments Ltd	UK	100	Holding company
Cadogan Petroleum Trading SAGL	Switzerland	100	Trading company
LLC AstroInvest – Ukraine	Ukraine	100	Exploration
LLC Astro Gas	Ukraine	100	Exploration
DP USENCO Ukraine	Ukraine	100	Exploration
LLC USENCO Nadra	Ukraine	95	Exploration
JV Delta	Ukraine	100	Exploration
LLC WestGasInvest	Ukraine	100	Exploration
LLC Astro-Service	Ukraine	100	Service Company
OJSC AgroNaftoGasTechService	Ukraine	79.9	Construction services
LLC Cadogan Ukraine	Ukraine	100	Corporate services

During the year ended 31 December 2013, the Group structure continued to be rationalised both so as to reduce the number of legal entities inside Ukraine and also to replace the structure of multiple jurisdictions with one based on a series of sub-holding companies incorporated in the Netherlands for each licence area.

19. Joint ventures

Details of each Group's joint ventures at the end of the 2013 and 2012 reporting periods are as follows:

Company name	Licenses held	Country of incorporation and operation	Ownership share %	Activity
LLC Astroinvest-Energy	Zagoryanska exploration license	Ukraine	40	Exploration
LLC Industrial Company Gazvydobuvannya	Pokrovska exploration license	Ukraine	70	Exploration
LLC Westgasinvest	Reklynetska, Zhuzhelianska, Cheremkhivsko-Strupkivska, Baulinska, Filimonivska, Kurinna, Sandugeyivska, Yakovlivska, and Debeslavetska Exploration, Debeslavetska Production license	Ukraine	15	Exploration

All of the above joint ventures are accounted for using the equity method in these consolidated financial statements. According to the shareholders' agreements, which regulate the activities of the jointly controlled entities, all key decisions require unanimous approval from the shareholders, therefore these entities are jointly controlled.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

19. Joint ventures continued

LLC Astroinvest-Energy

	2013 $'000	2012 $'000
Non-current assets	**34**	392
Current assets	**3,001**	6,941
Non-current liabilities	**(1,194)**	(2,228)
Current liabilities	**(4,288)**	(12,369)
Revenue	**-**	4,711
Loss for the period	**(6,997)**	(155,124)
Other comprehensive income/(loss)	**111**	(174)
Total comprehensive loss	**(6,886)**	(155,298)
Net deficit of the joint venture	**(2,447)**	(7,264)

LLC Industrial Company Gazvydobuvannya

	2013 $'000	2012 $'000
Non-current assets	**101,041**	101,556
Current assets	**1,041**	2,224
Non-current liabilities	**(8,484)**	(8,126)
Current liabilities	**(2,617)**	(2,231)
Revenue	**-**	-
Loss for the period	**(4,899)**	(2,349)
Other comprehensive income/(loss)	**71**	(40)
Total comprehensive loss	**(4,828)**	(2,389)
Net assets of the joint venture	**90,981**	93,423

2012 transactions: LLC Westgasinvest

In February 2012, the Group set up a joint venture LLC Westgasinvest ("WGI") with a Ukrainian state-owned company, NAK Nadra Ukrainy. As part of the transaction the Group contributed two unconventional licenses, the Debeslavetske production license and the Debeslavetske exploration license to WGI, while keeping all the economic benefit from the existing conventional activities on these licenses.

Whilst the licenses contributed had a nil NBV in the books of the Group at the date of contribution, the associated fair value of the licenses contributed in return for the 15% interest in WGI has been estimated at $6.4 million. The resultant profit recognised in the income statement is $5.4 million which represents the un-eliminated 85% share of the gain on contribution of these licenses. The Group accordingly recognised an intangible asset of $5.4 million.

The Group's resultant equity holding, post this transaction was 15.01%, with Nadra owning the remaining 84.99%.

On 3 October 2012, 50.01% of ownership in WGI was sold by Nadra and Cadogan to ENI completing the current ownership structure of WGI.

19. Joint ventures continued

LLC Westgasinvest

	2013 $'000	2012 $'000
Non-current assets	**164**	25
Current assets	**662**	20
Non-current liabilities	**–**	–
Current liabilities	**(2,672)**	(102)
Revenue	**–**	–
Loss for the period	**(3,364)**	(93)
Other comprehensive income	**55**	–
Total comprehensive loss	**(3,309)**	–
Net assets of the joint venture	**(1,846)**	57

The carrying amounts of the Group's interest in joint ventures recognized in the financial statements of the Group using the equity method are set out in the tables below:

	LLC Astroinvest Energy $'000	LLC Industrial company Gazvydobuvannya $'000	LLC Westgasinvest $'000	Total $'000
(Deficit)/net assets recognized as at 31 December 2012	(2,906)	65,396	5,418	67,908
Investments during the year	4,420	267	–	4,687
Loss for the year	(2,754)	(3,380)	(496)	(6,630)
Carrying amount of Group's interest as at 31 December 2013	**(1,240)**	**62,283**	**4,922**	**65,965**

The Group is committed together with ENI to fund LLC Astroinvest-Energy subsequently to year end with the necessary amount of $1.2 million in order to close current liabilities of the joint venture.

20. Inventories

	2013 $'000	Restated 2012 $'000
Cost	**3,846**	4,596
Impairment provision for obsolete inventory	**(895)**	(1,114)
Carrying amount	**2,951**	3,482

The impairment provision as at 31 December 2013 and 2012 is made so as to reduce the carrying value of the obsolete inventories to net realisable value.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

21. Other financial assets

Trade and other receivables

	2013 $'000	Restated 2012 $'000
Other receivables	**591**	31,796
Receivable from joint venture	**4,077**	6,907
Loans issued	**1,559**	-
VAT recoverable	**251**	81
Prepayments	**401**	837
	6,879	39,621

All sales are made on a prepayment basis, so there are no trade debtors.

Out of $31.8 million of other receivables $30.0 million as at 31 December 2012 represent receivables from the settlement agreement with GPS which has been repaid in April 2013.

Receivable from joint ventures comprise $1.6 million from Astroinvest-energy LLC (2012: $5.2 million) and $2.5 million from \ LLC (2012: $1.7 million).

Loans issued of $1.6 million as at 31 December 2013 represents loan issued in June 2013 to Oil and Gas Management Services Group Limited ("OAGSG") as part of $3 million Loan Facility on a fully secured basis against receivables due to OAGSG with the term of loan of 24 months and annual interest of 15%.

Cash and cash equivalents

Cash and cash equivalents as at 31 December 2013 of $56.5 million (2012: $40.5 million) comprise cash held by the Group and the Company. The Directors consider that the carrying amount of these assets approximates to their fair value.

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Temporary differences $'000
Liability as at 1 January 2012 (as restated)	458
Deferred tax expense	130
Exchange differences	(2)
Liability as at 1 January 2013 (as restated)	586
Deferred tax expense	120
Exchange differences	(31)
Liability as at 31 December 2013	675

At 31 December 2013, temporary differences of $6.0 million (2012: $6.3 million) existed in respect of foreign exchange gains arising on net investments in foreign subsidiaries for which deferred tax liabilities have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. Deferred tax continued

At 31 December 2013, the Group had the following unused tax losses available for offset against future taxable profits:

	2013 $'000	Restated 2012 $'000
UK	**13,623**	9,486
Netherlands	**938**	–
Ukraine	**46,719**	46,906
	61,280	56,392

Deferred tax assets have not been recognised in respect of these tax losses owing to the uncertainty that profits will be available in future periods against which they can be utilised.

The Group's unused tax losses of $13.6 million (2012: $9.5 million) relating to losses incurred in the UK are available to shelter future non-trading profits arising within Cadogan Petroleum plc. These losses are not subject to a time restriction on expiry.

Unused tax losses incurred by Ukraine subsidiaries amount to $46.7 million, (2012: $46.9 million). Under general provisions, these losses may be carried forward indefinitely to be offset against any type of taxable income arising from the same company of origination. Tax losses may not be surrendered from one Ukraine subsidiary to another. However, in the past, Ukrainian legislation has been imposed which restricted the carry forward of tax losses. During 2011 a new tax legislation in Ukraine was implemented which resulted in the restriction to recognition of accumulated losses at 1 April 2011. Starting 1 January 2012 only 25% of accumulated losses as at this date are allowed to be utilised each year for the period from 2012 till 2015 in the calculation of taxable income of the company. Tax losses accumulated after 1 January 2012 have no restrictions. There are further temporary differences arising on intangible exploration and evaluation assets and property, plant and equipment assets in Ukraine for which deferred tax assets of $5.2 million (2012: $4.6 million) have not been recognised due to the uncertainty of future recovery.

23. Other financial liabilities

Trade and other payables

	2013 $'000	Restated 2012 $'000
Trade creditors	**1,125**	1,122
Payables to joint ventures	**801**	423
Other taxes and social security	**21**	31
Other creditors and payables	**347**	166
Accruals	**1,148**	2,345
	3,442	4,087

Trade creditors and accruals principally comprise amounts outstanding for capital work program purchases and ongoing costs. The average credit period taken for trade purchases is 70 days (2012: 55 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

24. Provisions

	Decommissioning $'000	Total $'000
At 1 January 2012 (as restated)	528	528
Change in estimate (note 16 and 17)	174	174
Unwinding of discount on decommissioning provision (note 13)	(34)	(34)
Exchange differences	3	3
At 1 January 2013 (as restated)	671	671
Change in estimate (note 16 and 17)	58	58
Unwinding of discount on decommissioning provision (note 13)	6	6
Exchange differences	(27)	(27)
At 31 December 2013	**708**	**708**
At 1 January 2012 (as restated)	528	528
Included in long-term provisions	219	219
Included in current provisions	453	453
At 1 January 2013 (as restated)	672	672
Included in long-term provisions	195	195
Included in current provisions	513	513
At 31 December 2013	**708**	**708**

In accordance with the Group's environmental policy and applicable legal requirements, the Group intends to restore the sites it is working on after completing exploration or development activities.

A short-term provision of $0.5 million (2012: $0.5 million) has been made for decommissioning costs, which are expected to be incurred within the next year as a result of the demobilisation of drilling equipment and respective site restoration.

The long-term provision recognised in respect of decommissioning reflects management's estimate of the net present value of the Group's share of the expenditure expected to be incurred in this respect. This amount has been recognised as a provision at its net present value, using a discount rate that reflects the market assessment of time value of money at that date, and the unwinding of the discount on the provision has been charged to the income statement. These expenditures are expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the facilities currently in place (currently estimated to be between one and 17 years).

25. Share capital

Authorised and issued equity share capital

	2013 Number		2012 Number	
	'000	**$'000**	'000	$'000
Authorised Ordinary shares of £0.03 each	**1,000,000**	**57,713**	1,000,000	57,713
Issued Ordinary shares of £0.03 each	**231,092**	**13,337**	231,092	13,337

Authorised but unissued share capital of £30 million has been translated into US dollars at the historic exchange rate of the issued share capital.

The Company has one class of Ordinary shares which carry no right to fixed income.

Issued equity share capital

	Ordinary shares of £0.03 Number
At 31 December 2012 and 2013	**231,091,734**

26. Notes to the cash flow statement

	2013 $'000	Restated 2012 $'000
Operating loss	**(14,828)**	(92,562)
Adjustments for:		
Depreciation of property, plant and equipment	**1,201**	1,352
Share of losses in joint ventures	**6,630**	63,987
Reversal of impairment of inventories (note 8)	**(97)**	(787)
Reversal of impairment of VAT recoverable (note 8)	**(137)**	(994)
Loss on disposal of property, plant and equipment	**103**	285
Effect of foreign exchange rate changes	**(1,571)**	4,536
Operating cash flows before movements in working capital	**(8,699)**	(24,183)
Decrease in inventories	**628**	1,429
Decrease in receivables	**32,879**	23,759
Decrease in payables and provisions	**(645)**	(1,409)
Cash from/(used in) operations	**24,163**	(404)
Income taxes paid	**(169)**	(121)
Net cash inflow/(outflow) from operating activities	**23,994**	(525)

27. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to shareholders.

The capital resources of the Group consists of cash and cash equivalents arising from equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the Consolidated Financial Statements.

Categories of financial instruments

	2013 $'000	Restated 2012 $'000
Financial assets – loans and receivables (includes cash and cash equivalents)		
Cash and cash equivalents	**56,484**	40,477
Receivable from joint venture	**4,077**	6,907
Loans issued	**1,559**	–
Other receivables (current and non-current)	**590**	31,796
	62,710	79,180
Financial liabilities – measured at amortised cost		
Trade creditors	**1,259**	1,545
Payables to joint ventures	**801**	423
Other taxes and social security	**21**	31
Other creditors and payables	**347**	166
Accruals	**1,148**	2,345
	3,576	4,510

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

27. Financial instruments continued

Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group in Ukraine through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include commodity price risks, foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As the Group has no committed borrowings, the Group is not exposed to any significant risks associated with fluctuations in interest rates on loans.

The Audit Committee of the Board reviews and monitors risks faced by the Group through meetings held throughout the year.

Commodity price risk

The commodity price risk related to Ukrainian gas and condensate prices and, to a lesser extent, prices for crude oil are the Group's most significant market risk exposures. World prices for gas and crude oil are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments, including actions taken by the Organisation of Petroleum Exporting Countries.

These fluctuations may have a significant effect on the Group's revenues and operating profits going forward. The principal factor in the current Ukrainian gas price is bilateral negotiations with Gazprom to establish the price of gas imports from Russia. The price for Ukrainian gas is based on the current price of these gas imports from Russia, which are nonetheless influenced by world prices. Management continues to expect that the Group's principal market for gas will be the Ukrainian domestic market.

The Group does not hedge market risk resulting from fluctuations in gas, condensate and oil prices, and holds no financial instruments which are sensitive to commodity price risk.

Foreign exchange risk and foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group to date has elected not to hedge its exposure to the risk of changes in foreign currency exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
US dollars ('$')	**106**	51	**53,277**	66,388

Foreign currency sensitivity analysis

The Group is exposed primarily to movements in currencies against the US dollar as this is the presentation currency of the Group. In order to fund operations, US dollar funds are converted to UAH just before being contributed to the Ukrainian subsidiaries. Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between the GBP and US dollar. The analysis is based on a weakening of the US dollar by 10 per cent against GBP, a functional currency in the entities of the Group which have significant monetary assets and liabilities at the end of each respective period. A movement of 10 per cent reflects a reasonably possible sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a ten per cent change in foreign currency rates.

A number below indicates a decrease in profit where US dollar strengthens 10 per cent against the other currencies. For a 10 per cent weakening of the US dollar against the other currencies, there would be an equal and opposite impact on the profit or loss, and the balances would be negative.

The Group is not exposed to significant foreign currency risk in other currencies.

27. Financial instruments continued

Inflation risk management

The following table details the Group's sensitivity to a 10 per cent decrease in the US dollar against the GBP.

	2013 $'000	2012 $'000
Income statement	(4,587)	(5,912)

Foreign currency sensitivity analysis continued

Inflation in Ukraine and in the international market for oil and gas may affect the Group's cost for equipment and supplies. The Directors expect that the Group's practices of keeping deposits in US dollar accounts until funds are needed and selling its production in the spot market, coupled with the linkage of the currency in Ukraine to the US dollar, to enable the Group to manage the risk of inflation.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure on trade receivables as the normal terms for sales of gas and condensate to the Group's customers require payment before delivery.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings, assigned by international credit-rating agencies in the UK and Ukraine respectively.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

The following tables set out details of the expected contractual maturity of financial liabilities.

	Within 3 months $'000	3 months to 1 year $'000	More than 1 year $'000	Total $'000
At 31 December 2013	1,326	2,250	–	3,576
Trade and other payables	1,326	2,250	–	3,576
At 31 December 2012	4,115	395	–	4,510
Trade and other payables	4,115	395	–	4,510

28. Commitments and contingencies

Joint activity agreements

The Group has working interests in nine licences for the conduct of its exploration and development activities within Ukraine. Each licence is held with the obligation to fulfil a minimum set of exploration activities within its term and is summarised on an annual basis, including the agreed minimum amount forecasted expenditure to fulfil those obligations. The activities and proposed expenditure levels are agreed with the government licensing authority.

GROUP OVERVIEW DIRECTORS' REPORT CORPORATE GOVERNANCE REMUNERATION REPORT FINANCIAL STATEMENTS GLOSSARY SHAREHOLDER INFORMATION

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

28. Commitments and contingencies continued

The required future financing of exploration and development work on fields under the licence obligations are as follows:

	2013 $'000	Restated 2012 $'000
Within one year	**1,258**	18,506
Between two and five years	**1,863**	20,315
	3,121	38,821

The Group has revised its minimum working programs and resubmitted the required documentation to the government authorities; updated commitments has decreased for all licenses from $38.8 million to $3.1 million. License obligations of the joint ventures as at 31 December 2013 amounted to $0.4 million (2012: $0.5 million) of obligations within one year and $0.1 million (2012: $10.5 million) of obligations between two and five years.

29. Related party transactions

All transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The application of IFRS 11 has resulted in the existing joint ventures LLC Astroinvest-energy, LLC Gazvydobuvannya and LLC Westgasinvest being accounted for under the equity method and disclosed as related parties.

During the period, Group companies entered into the following transactions with joint ventures who are considered as related parties of the Group:

	2013 $'000	2012 $'000
Revenues from services provided and sales of goods	**1,892**	4,487
Purchases of goods	**22**	51
Amounts owed by related parties	**4,077**	6,907
Amounts owed to related parties	**801**	423

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual Directors is provided in the audited part of the Annual Report on Remuneration on pages 31 and 34.

	Purchase of services		Amounts owing	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Short-term employee benefits	**911**	1,048	**69**	973
Share-based payments	**-**	(695)	**-**	-
	911	353	**69**	973

The total remuneration of the highest paid Director was $0.3 million in the year (2012: $0.4 million).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no provisions have been made for doubtful debts in respect of the amounts owed by related parties.

30. Accounting policy changes – adoption of IFRS 11

As discussed in note 2, the Group has restated the financial performance and position of the Group for the year ended 31 December 2012 to reflect the adoption of IFRS 11. The quantitative impact of adopting these standards on the prior year consolidated financial statements is set out in the tables below:

Adjustments to the Consolidated Income Statements

	Year ended 31 December 2012		
	as previously reported $'000	IFRS 11 $'000	restated $'000
CONTINUING OPERATIONS			
Revenue	5,653	(1,892)	3,761
Cost of sales	(4,158)	1,542	(2,616)
Gross profit	**1,495**	**(350)**	**1,145**
Administrative expenses:			
Other administrative expenses	(10,783)	3,327	(7,456)
Impairment of oil and gas assets	(83,584)	57,867	(25,717)
(Impairment)/reversal of impairment of other assets	(2,684)	3,353	669
	(97,051)	**64,547**	**(32,504)**
Other losses	5,417	(63,694)	(58,277)
Other operating income/(expenses)	(2,940)	14	(2,926)
Operating loss	**(93,079)**	**517**	**(92,562)**
Investment revenue	128	(10)	118
Finance costs	67	(33)	34
Loss before tax	**(92,884)**	**474**	**(92,410)**
Tax	(252)	1	(251)
Loss for the period/year	**(93,136)**	**475**	**(92,661)**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

30. Accounting policy changes – adoption of IFRS 11 continued

Adjustments to the Consolidated Balance Sheets

	as at 1 January 2012			as at 31 December 2012		
	as previously reported $'000	IFRS 11 adjustments $'000	restated $'000	as previously reported $'000	IFRS 11 adjustments $'000	restated $'000
ASSETS						
Non-current assets						
Intangible exploration and evaluation assets	65,972	(63,765)	2,207	78,231	(75,214)	3,017
Property, plant and equipment	99,373	(51,388)	47,985	46,627	(249)	46,378
Investments in joint ventures	-	106,286	106,286	-	67,908	67,908
	165,345	(8,867)	156,478	124,858	(7,555)	117,303
Current assets						
Inventories	6,556	(2,549)	4,007	5,177	(1,695)	3,482
Trade and other receivables	66,251	(2,604)	63,647	35,537	4,084	39,621
Cash and cash equivalents	65,039	(738)	64,301	42,404	(1,927)	40,477
	137,846	(5,891)	131,955	83,118	462	83,580
Total assets	303,191	(14,758)	288,433	207,976	(7,093)	200,883
LIABILITIES						
Non-current liabilities						
Deferred tax liabilities	(11,538)	11,080	(458)	(4,553)	3,967	(586)
Long-term provisions	(548)	153	(395)	(414)	195	(219)
	(12,086)	11,233	(853)	(4,967)	4,162	(805)
Current liabilities						
Trade and other payables	(7,552)	3,927	(3,625)	(7,793)	3,706	(4,087)
Current provisions	(524)	384	(140)	(939)	486	(453)
	(8,076)	4,311	(3,765)	(8,732)	4,192	(4,540)
Total liabilities	(20,162)	15,544	(4,618)	(13,699)	8,354	(5,345)
Net assets	283,029	786	283,815	194,277	1,261	195,538
EQUITY						
Share capital	13,337	-	13,337	13,337	-	13,337
Retained earnings	389,734	(1,327)	388,407	298,290	(852)	297,438
Cumulative translation reserves	(123,784)	2,113	(121,671)	(119,400)	2,113	(117,287)
Other reserves	3,344	-	3,344	1,682	-	1,682
Equity attributable to equity holders of the parent	282,631	786	283,417	193,909	1,261	195,170
Non-controlling interest	398	-	398	368	-	368
Total equity	283,029	786	283,815	194,277	1,261	195,538

30. Accounting policy changes – adoption of IFRS 11 continued
Adjustments to the Consolidated Cash Flow Statements

	Year ended 31 December 2012		
	as previously reported $'000	IFRS 11 adjustments $'000	restated $'000
Net cash (outflow)/inflow from operating activities	**(5,609)**	**5,084**	**(525)**
Investing activities			
Disposal of subsidiaries	4,142	(4,142)	–
Investments in joint ventures	–	(22,478)	(22,478)
Purchases of property, plant and equipment	(15,749)	14,666	(1,083)
Purchases of intangible exploration and evaluation assets	(6,239)	6,152	(87)
Proceeds from sale of property, plant and equipment	688	(461)	227
Interest received	128	(10)	118
Net cash used in investing activities	**(17,030)**	**(6,273)**	**(23,303)**
Financing activities			
Proceeds from short-term borrowings	–	–	–
Net cash used in financing activities	–	–	–
Net increase/(decrease) in cash and cash equivalents	**(22,639)**	**(1,189)**	**(23,828)**
Effect of foreign exchange rate changes	4	–	4
Cash and cash equivalents at beginning of period/year	65,039	(738)	64,301
Cash and cash equivalents at end of period/year	**42,404**	**(1,927)**	**40,477**

Adjustments to Notes to the condensed cash flow statements

	Year ended 31 December 2012		
	as previously reported $'000	IFRS 11 adjustments $'000	restated $'000
Operating loss	(93,079)	517	(92,562)
Adjustments for:			
Depreciation of property, plant and equipment	1,967	(615)	1,352
Impairment of oil and gas assets	83,584	(83,584)	–
Gain on acquisition of jointly controlled entity / disposal of subsidiaries	(5,454)	5,454	–
Loss from investments into joint ventures	–	63,987	63,987
Reversal of impairment of inventories	291	(1,078)	(787)
(Reversal of impairment)/Impairment of VAT recoverable	2,394	(3,388)	(994)
(Gain)/loss on disposal of property, plant and equipment	52	233	285
Effect of foreign exchange rate changes	4,014	522	4,536
Operating cash flows before movements in working capital	**(6,231)**	**(17,952)**	**(24,183)**
Decrease in inventories	1,269	160	1,429
Decrease/(increase) in receivables	(766)	24,525	23,759
(Decrease)/Increase in payables and provisions	241	(1,650)	(1,409)
Cash (used in)/from operations	**(5,487)**	**5,083**	**(404)**
Income taxes paid	(122)	1	(121)
Net cash inflow/(outflow) from operating activities	**(5,609)**	**5,084**	**(525)**

Company Balance Sheet
As at 31 December 2013

31. Events after the balance sheet date
Political and economic turmoil in Ukraine
We are monitoring the current political situation in Ukraine carefully and there have been no disruptions to the Company's operations in either of our operating locations.

As a result of the recent political and economic turmoil in Ukraine, there has been a significant devaluation of the Ukrainian Hryvnia against the US Dollar which is likely to affect the carrying value of the Group's assets in the future. Since 1 January 2014, the Ukrainian Hryvnia has devalued against the US Dollar by approximately 35%.

We have reassessed the key judgements and critical accounting estimates as at the date of this report and, based on the current status of operations, no adjustments have been made.

	Notes	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Investments	34	**–**	–
Receivables from subsidiaries	35	**77,506**	97,289
		77,506	97,289
Current assets			
Trade and other receivables	35	**1,763**	102
Cash and cash equivalents	35	**50,280**	32,092
		52,043	32,194
Total assets		**129,549**	129,483
LIABILITIES			
Current liabilities			
Trade and other payables	36	**(1,211)**	(1,290)
		(1,211)	(1,290)
Total liabilities		**(1,211)**	(1,290)
Net assets		**128,338**	128,193
EQUITY			
Share capital	37	**13,337**	13,337
Retained earnings		**210,297**	212,497
Cumulative translation reserves	38	**(95,296)**	(97,734)
Share-based payment reserve		**–**	93
Total equity		**128,338**	128,193

The financial statements of Cadogan Petroleum plc, registered in England and Wales no. 5718406, were approved by the board of Directors and authorised for issue on 28 April 2014.

They were signed on its behalf by:

Bertrand Des Pallieres
Chief Executive Officer
28 April 2014

Company Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Net cash outflow from operating activities	39	**(4,034)**	(1,007)
Investing activities			
Interest received		**258**	13
Settlement received		**-**	1,070
Repayment of loans to subsidiary companies		**19,783**	(1,037)
Net cash from investing activities		**20,041**	**46**
Net increase/(decrease) in cash and cash equivalents		**16,007**	(961)
Effect of foreign exchange rate changes		**2,181**	2,197
Cash and cash equivalents at beginning of year		**32,092**	**30,856**
Cash and cash equivalents at end of year		**50,280**	**32,092**

Company Statement of Changes in Equity
For the year ended 31 December 2013

	Share capital $'000	Retained earnings $'000	Cumulative translation reserves $'000	Share-based payment reserve $'000	Total $'000
As at 1 January 2012	**13,337**	**212,428**	**(102,176)**	**1,755**	**125,344**
Share-based payment	–	1,662	–	(1,662)	–
Net loss for the year	–	(1,593)	–	–	(1,593)
Exchange translation differences	–	–	4,442	–	4,442
As at 1 January 2013	**13,337**	**212,497**	**(97,734)**	**93**	**128,193**
Share-based payment	–	93		(93)	–
Net loss for the year	–	(2,293)	–	–	(2,293)
Exchange translation differences	–	–	2,438	–	2,438
As at 31 December 2013	**13,337**	**210,297**	**(95,296)**	**-**	**128,338**

Notes to the Company Financial Statements

For the year ended 31 December 2013

32. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 (the 'Act'). As permitted by the Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the Consolidated Financial Statements except as noted below.

As permitted by section 408 of the Act, the Company has elected not to present its profit and loss account for the year. Cadogan Petroleum plc reports a loss for the financial year ended 31 December 2013 of $2.3 million (2012: $1.6 million).

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Critical accounting judgements and key sources of estimation uncertainty

The Company's financial statements, and in particular its investments in and receivables from subsidiaries, are affected by certain of the critical accounting judgements and key sources of estimation uncertainty described in note 4 to the Consolidated Financial Statements.

33. Auditor's remuneration

The auditor's remuneration for audit and other services is disclosed in note 10 to the Consolidated Financial Statements.

34. Investments

The Company's subsidiaries are disclosed in note 18 to the Consolidated Financial Statements. The investments in subsidiaries are all initially stated at cost.

35. Financial assets

Receivables from subsidiaries

At the balance sheet date gross amounts receivable from the fellow Group companies were $348.5 million (2012: $363.0 million). No impairment was recognised in 2012 or 2013. The carrying value of the receivables from the fellow Group companies as at 31 December 2013 was $77.5 million (2012: $97.3 million). There are no past due receivables.

Trade and other receivables

	2013 $'000	2012 $'000
Loans issued	**1,559**	–
VAT recoverable	**138**	–
Prepayments	**51**	71
Other receivables	**15**	31
	1,763	102

The Company's principal financial assets are bank balances and cash and cash equivalents and receivables from related parties none of which are past due. The Directors consider that the carrying amount of receivables from related parties approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

36. Financial liabilities

Trade and other payables

	2013 $'000	2012 $'000
Trade creditors	**317**	321
Other creditors and payables	**238**	969
Accruals	**656**	–
	1,211	1,290

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2012: 42 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is charged on balances outstanding.

Notes to the Company Financial Statements continued

For the year ended 31 December 2013

37. Share capital

The Company's share capital is disclosed in note 25 to the Consolidated Financial Statements.

38. Cumulative translation reserve

The functional currency of the Company is pounds sterling. The financial statements of the Company are expressed in US dollars, which is its presentation currency. Cumulative translation reserve represents the effect of translating into US dollars the results and financial position of the Company.

39. Notes to the cash flow statement

	2013 $'000	2012 $'000
Operating loss from continuing operations	**(2,293)**	(1,593)
Operating cash flows before movements in working capital	**(2,293)**	(1,593)
(Increase) in receivables	**(1,662)**	(38)
(Decrease) in payables	**(79)**	624
Cash used in operations	**(4,034)**	(1,007)
Income taxes paid	**–**	–
Net cash outflow from continuing operations	**(4,034)**	(1,007)

40. Financial instruments

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to shareholders. Refer to note 27 for the Group's overall strategy and financial risk management objectives.

The capital resources of the Group consists of cash and cash equivalents arising from equity, comprising issued capital, reserves and retained earnings.

Categories of financial instruments

	2013 $'000	2012 $'000
Financial assets – loans and receivables (includes cash and cash equivalents)		
Cash and cash equivalents	**50,280**	32,092
Amounts due from subsidiaries	**77,506**	97,289
	127,786	129,381
Financial liabilities – measured at amortised cost		
Trade creditors	**(317)**	(321)
	(317)	(321)

Interest rate risk

All financial liabilities held by the Company are non-interest bearing. As the Company has no committed borrowings, the Company is not exposed to any significant risks associated with fluctuations in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. For cash and cash equivalents, the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties.

The Company's credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the Company financial statements, which is net of any impairment losses, represents the Company's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate reserves, by continuously monitoring forecast and actual cash flows.

The Company's financial liabilities are not significant and therefore no maturity analysis has been presented.

40. Financial instruments continued

Foreign exchange risk and foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company holds a large portion of its foreign currency denominated monetary assets and monetary liabilities in US dollars. More information on the foreign exchange risk and foreign currency risk management is disclosed in note 27 to the Consolidated Financial Statements.

41. Related parties

Amounts due from subsidiaries

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are mainly for short and long-term financing. Amounts owed from these entities are detailed below:

	2013 $'000	2012 $'000
Cadogan Petroleum Holdings Limited	**77,506**	97,289
	77,506	97,289

Refer to note 35 for a discussion on the Company's receivables due from subsidiaries.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual Directors is provided in the audited part of the Annual Report on Remuneration 2013 on pages 31 to 34.

	Remuneration		Amounts owing	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Short-term employee benefits	**326**	296	**-**	476
	326	296	**-**	476

The total remuneration of the highest paid Director was $0.3 million in the year (2012: $0.4 million).

42. Events after the balance sheet date

Events after the balance sheet date are disclosed in note 31 to the Consolidated Financial Statements.

Notice of Annual General Meeting

This document is important and requires your immediate attention
If you are in any doubt as to the action you should take, you are recommended to seek your own personal finance advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Cadogan Petroleum plc, please send this document and the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting
NOTICE IS HEREBY GIVEN that the Annual General Meeting (the 'AGM') of Cadogan Petroleum plc (the 'Company') will be held at Chandos House, 2 Queen Anne Street, London W1G 9LQ on Monday 23 June 2014 at 10.30am to consider the following resolutions, of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 15 as special resolutions.

1. To receive the Annual Financial Report of the Company for the financial year ended 31 December 2013.
2. To receive and approve the Annual Report on Remuneration contained in the Annual Financial Report for the financial year ended 31 December 2013.
3. To receive and approve the Directors' Remuneration Policy.
4. To re-elect Zev Furst as a Director of the Company.
5. To re-elect Gilbert Lehmann as a Director of the Company.
6. To re-elect Enrico Testa as a Director of the Company.
7. To re-elect Bertrand des Pallieres as a Director of the Company.
8. To re-elect Adelmo Schenato as a Director of the Company.
9. To elect Michel Meeus as a Director of the Company.
10. To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next meeting at which the Annual Financial Report is laid before the Company.
11. To authorise the Directors to determine the remuneration of the auditors.
12. That the Directors be and are hereby generally and unconditionally authorised, in substitution for any such existing authority, for the purposes of section 551 of the Companies Act 2006 (the 'Act') to exercise any power of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company ('Rights'):

    (a) up to an aggregate nominal amount of £2,310,917, including within such limit the aggregate nominal amount of any shares allotted and Rights granted under paragraph (b) below in excess of £2,310,917; and

    (b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £4,621,834, including within such limit the aggregate nominal amount of any shares allotted and Rights granted under paragraph (a) above, in connection with an offer by way of a rights issue:
    (i) to Ordinary shareholders in proportion (as nearly as may be practicable) to their respective existing holdings; and
    (ii) to holders of other equity securities (as defined in section 560(1) of the Act) as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose limits or restrictions and make arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any jurisdiction or other matter, such authority to apply until the earlier of the conclusion of the Company's next Annual General Meeting and 30 June 2015 but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or Rights to be granted after the authority expires and the Directors may allot shares or grant Rights under any such offer or agreement as if the authority had not expired.

13. That, in substitution for all existing powers, and subject to the passing of resolution 12 above, the Directors be given the general power under section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority granted by such resolution, and/or where the allotment is treated as an allotment of equity securities under section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment, such power to be limited:
    (a) to the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (b) of resolution 12 above, by way of a rights issue only):
        (i) to Ordinary shareholders in proportion (as nearly as may be practicable) to their respective existing holdings; and
        (ii) to the holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose limits or restrictions and make arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any jurisdiction or other matter; and
    (b) in the case of the authority granted under paragraph (a) of resolution 12 above and/or in the case of a transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Act, to the allotment (otherwise than under paragraph (a) of this resolution 12) of equity securities up to an aggregate nominal amount of £346,637,

    such authority to expire at the conclusion of the next Annual General Meeting or, if earlier, the close of business on 30 June 2015, unless previously renewed, varied or revoked by the Company, save that the Company may make offers and enter into agreements before such authority expires which would, or might, require equity securities to be allotted after the authority expires and the Directors may allot equity securities under any such offer or agreement as if the authority had not expired.

14. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares with a nominal value of 3 pence each in the capital of the Company, subject to the following terms:
    (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 23,109,173;
    (b) the minimum price (excluding expenses) which may be paid for any such Ordinary share is 1 pence per share;
    (c) the maximum price (excluding expenses) which may be paid for any such Ordinary share shall be the higher of:
        (i) the amount equal to 105 per cent of the average of the closing middle market quotations for an Ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is purchased; and
        (ii) the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case excluding expenses); and
    (d) the authority conferred by this resolution shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company, or if earlier, the close of business on 30 June 2015 save in relation to any purchase of Ordinary shares, the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary shares under such contract.

15. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice during the period from the date of the passing of this resolution 15 until the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Laurie Sudwarts
Company Secretary
28 April 2014
Registered Office:
1st Floor,
40 Dukes Place,
London EC3A 7NH

Notice of Annual General Meeting continued

Notes

1. A member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, and on a poll, vote instead of them. A proxy need not also be a member of the Company.

2. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power of authority) must be deposited with the Company's registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the AGM. A proxy form is enclosed with this Notice. Completion and return of the proxy form will not preclude a shareholder from attending or voting at the meeting in person if they wish.

3. You may, if you wish, appoint more than one proxy, but each proxy must be appointed in respect of a specified number of shares within your holding. If you wish to do this, each proxy must be appointed on a separate proxy form. Please photocopy the enclosed proxy form the required number of times before completing it. When appointing more than one proxy you must indicate the number of shares in respect of which the proxy is appointed.

4. As at 28 April 2014, being the latest practicable date before the publication of this Notice, there have been no changes to the details of substantial shareholdings set out on page 20 of the Annual Financial Report 2013, nor to the Directors' interests in the Ordinary shares of the Company detailed on page 19 of the report.

5. All of the non-executive Directors have a letter of appointment that appoints them to the Board for an initial three year period. These appointments can be terminated by the Company by giving three months' notice or immediately if there is a breach of their terms.

6. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the 'Act') to enjoy information rights (a 'Nominated Person') may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies of paragraphs 1, 2 and 3 above and paragraph 8 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service to attend the AGM and any adjournment(s) of the AGM may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') may be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members, and where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular to those sections of the CREST Manual concerning practical limitation of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. The Company, under Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered in the register of members of the Company at 6.00pm on 21 June 2014, or if the AGM is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the AGM in respect of the number of Ordinary shares registered in their name at the time. Changes to the entries in the register of members after 6.00pm on 21 June 2014 or, if the AGM is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the AGM.

9. Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so using the following means: 1) by writing to the Company Secretary at the Company's registered office, 1st Floor, 40 Dukes Place, London, EC3A 7NH; or 2) by writing to the Company's registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. No other methods of communication will be accepted, in particular you may not use any electronic address provided either in this Notice or in any related documents (including the proxy form).

10. As at 28 April 2013, being the latest practicable date before the publication of this Notice, the Company's issued share capital consisted of 231,091,734 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company at that date were 231,091,734.

11. The Annual Financial Report incorporating this Notice and other information required by section 311A of the Act will be available on the Company's website, www.cadoganpetroleum.com.

12. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    a. the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or

    b. any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the Annual Accounts and Reports were laid in accordance with section 437 of the Act.

    The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

    Under section 319A of the Act, the Company must cause to be answered at the AGM any question relating to the business being dealt with which is put by a member attending the AGM, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Glossary

PO	Initial public offering
IFRSs	International Financial Reporting Standards
JAA	Joint activity agreement
UAH	Ukrainian hryvnia
GBP	Great Britain pounds
$	United States dollars
bbl	Barrel
boe	Barrel of oil equivalent
mmboe	Million barrels of oil equivalent
mboe	Thousand barrels of oil equivalent
mboepd	Thousand barrels of oil equivalent per day
boepd	Barrels of oil equivalent per day
bcf	Billion cubic feet
mmcm	Million cubic metres
mcm	Thousand cubic metres
Reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories.
Proved Reserves	Those additional Reserves which analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from reservoirs and under defined economic conditions, operating methods and government regulations.
Probable Reserves	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved Resources but more certain to be recovered than possible Reserves.
Possible Reserves	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable Reserves.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
Prospective Resources	Those quantities of petroleum which are estimated as of a given date to be potentially recoverable from undiscovered accumulations.
1P	Proved Reserves
2P	Proved plus probable Reserves
3P	Proved plus probable plus possible Reserves
Carboniferous	A geological period 295 million to 354 million years before present
Devonian	A geological period between 417 million and 354 million years before present
Visean	Geological period within the early to middle Carboniferous
Spud	To commence drilling, once the cement cellar and conductor pipe at the well-head have been constructed
TD	Target depth
Workover	The process of performing major maintenance or remedial treatment of an existing oil or gas well
LWD	Logging while drilling

Shareholder Information

Enquiries relating to the following administrative matters should be addressed to the Company's registrars: Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Telephone number:	UK: 0871 664 0300 (calls cost 10p per minute plus network extras.) International: +44 (0) 208 639 3399 Lines are open 9am – 5.30pm, Monday – Friday, excluding public holidays.

- Loss of share certificates.
- Notification of change of address.
- Transfers of shares to another person.
- Amalgamation of accounts: if you receive more than one copy of the Annual Financial Report, you may wish to amalgamate your accounts on the share register.

You can access your shareholding details and a range of other services at the Capita website www.capitashareportal.com.

Information concerning the day-to-day movement of the share price of the Company can be found on the Group's website www.cadoganpetroleum.com or that of the London Stock exchange www.prices.londonstockexchange.com.

Boiler room scams
Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Conduct Authority ('FCA') has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited advice:

- make sure you get the correct name of the person and organisation;
- check that they are properly authorised by the Financial Conduct Authority ('FCA') before getting involved by checking the
- Financial Services Register: www.fsa.gov.uk/register/home.do;
- report the matter to the FCA either by calling +44 (0)800 111 6768 or visiting: www.fca.org.uk/consumers/scams; and
- if the call persists, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.]

Unsolicited mail
As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To reduce the amount of unsolicited mail you receive, contact: The Mailing Preference Service, FREEPOST 22, London W1E 7EZ. Telephone: 0845 703 4599. Website: www.mpsonline.org.uk.

Financial calendar 2014/2015

Interim Management Statement	May 2014
Annual General Meeting	23 June 2014
Half Yearly Report	August 2014
Interim Management Statement	November 2014
Results announcement for 2014	April 2015

Investor relations
Enquiries to: info@cadoganpetroleum.com

Registered office
1st Floor, 40 Dukes Place, London EC3A 7NH
Registered in England and Wales no. 5718406

Ukraine
27A Taras Shevchenko Boulevard
01032 Kiev
Ukraine

Email: info@cadoganpetroleum.com
Tel: +38 044 591 03 90
Fax: +38 044 591 03 91
www.cadoganpetroleum.com

Desktop Publishing from **Capita Asset Services Fund solutions**
Tel: 01392 477500 | www.capitaassetservices.com

CADOGAN
PETROLEUM PLC

Investor relations
Enquiries to: info@cadoganpetroleum.com

Registered office
1st Floor, 40 Dukes Place, London EC3A 7NH
Registered in England and Wales no. 5718406

Ukraine
10th Floor, 'Karat' Business Center
110 Zhilyanska str.
01032 Kiev
Ukraine

Email: info@cadoganpetroleum.com
Tel: +38 044 584 49 74
Fax: +38 044 584 49 75

www.cadoganpetroleum.com