Exillon Energy plc

Interim results for the first six months of 2016

25 August 2016 - Exillon Energy plc ("Exillon", the "Company" or the "Group") (EXI.LN), a London Premium listed independent oil producer with assets in two oil-rich regions of Russia, Timan-Pechora ("Exillon TP") and West Siberia ("Exillon WS"), today issues its interim results for the first six months to 30 June 2016.

Highlights

• Net profit increased by 69% to US$22.3 million (US$13.2 million in 1H 2015)

• EBITDA increased by 25% to US$38.1 million (US$30.4 million in 1H 2015)

• EBITDA per barrel increased by 39% to US$14.2 per barrel (US$10.2 per barrel in 1H 2015)

• Production decreased by 11%, with the average production for 1H 2016 equivalent to 14,807 bpd

Production

Our oil production decreased by 11% from 3.01 million to 2.69 million barrels equivalent to a decrease from 16,643 bpd to 14,807 bpd compared to 1H 2015, and 6% from 2.87 million to 2.69 million barrels equivalent to a decrease from 15,586 bpd to 14,807 bpd compared to 2H 2015.

The decrease in our production is reflecting the natural production decline curve due to the natural depletion.

We publish monthly production data, and, therefore, have already announced details of our production for the period. For reference the monthly data published during the six month period of 2016 is summarised below.

	Jan	**Feb**	**March**	**April**	**May**	**June**
PLC peak, bpd	15,588	14,970	15,512	15,686	15,306	14,812
PLC average, bpd	15,094	14,660	14,968	15,094	14,646	14,364
ETP average, bpd	3,161	3,040	3,218	3,414	3,316	3,385
EWS average, bpd	11,933	11,620	11,750	11,680	11,330	10,979

Dear Shareholders,

The first six months of 2016 were successful for Exillon. Despite the continuous volatility of oil prices, we delivered strong financial performance with significant recurring EBITDA and net profit.

Financial Position and Performance

Our EBITDA increased by 25% from US$30.4 million to US$38.1 million, with a net profit of US$22.3 million (compared to a net profit of US$13.2 million in 1H 2015). Although our revenue decreased from US$108.7 million to US$64.1 million, our netback (which we define as revenue less Mineral Extraction Tax, Export Duty and Transneft charges) rose by 15% from US$45.4 million to US$52.4 million. The decrease in our revenue was primarily a consequence of lower average oil prices during 1H 2016 as compared to 1H 2015. A decrease in our sales volumes, resulting from a decrease in production, has also contributed to the reduction in revenue.

Our EBITDA after allocation of central costs was equal to US$14.2 per barrel compared to US$10.2 per barrel in 1H 2015. The indicator was significantly enhanced, despite lower average prices achieved in 1H 2016, which led to a substantial drop in our revenue. A 39% increase of the indicator was driven mostly by the application of certain mineral extraction tax exemption by Exillon WS, which improved our netback and EBITDA.

In comparison to 2H 2015, our EBITDA per barrel decreased by 36% from US$22.3 per barrel to US$14.2 per barrel. The tax exemption mentioned above was introduced by Russian legislation in 2H 2015 with effective date from 1

January 2015. The total relevant effect attributable to 2015 was reflected in 2H 2015 results, boosting the indicator. The decline in average oil prices during 1H 2016 as compared to 2H 2015 has also contributed to the negative effect.

78% of our oil production was from Exillon WS and 22% from Exillon TP. EBITDA per barrel on an operating level (before central costs) was US$16.2 per barrel in Exillon WS (1H 2015: US$10.7 per barrel) and US$7.3 per barrel in Exillon TP (1H 2015: US$9.7 per barrel). The spread in EBITDA per barrel is growing wider between operating segments due to mineral extraction tax exemption applied by Exillon WS from 2H 2015.

Our financial position remains strong with US$126.7 million of cash and cash equivalents as at 30 June 2016. A term loan of US$100.0 million taken out in March 2012 is the Company's only debt. As at 30 June 2016, the outstanding debt had reduced to US$23.1 million, as a result of scheduled repayments of principal. Our net cash position was US$103.6 million.

As of 24 August 2016 our cash and cash equivalents had decreased to US$107.8 million resulting in a net cash position of US$84.5 million.

Capital expenditure during the period was US$4.8 million (1H 2015: US$29.1 million), 16% of which was incurred in Exillon TP and 84% in Exillon WS (1H 2015: 7% in Exillon TP, 57% in Exillon WS and 36% in corporate companies that are managed at the Group level). Of this total, US$2.0 million was attributable to drilling, US$2.7 million to infrastructure and US$0.1 million to seismic data acquisition and interpretation (1H 2015: US$4.0 million was attributable to drilling, US$13.2 million to infrastructure and US$1.3 million to seismic data acquisition and interpretation). During 1H 2015 capital expenditure related to the corporate companies was attributable to the purchase of an aircraft, which was subsequently leased to an unrelated third party for a period of ten years.

Drilling Update

During the period we drilled three production oil wells. The drilling was carried out only at Exillon WS and the drilling results were successful for all wells.

Oil field	Well pad	Well №	Type of well	Spudded on	Drilling completed, days	Current production, bpd
Lumutinskoe	7L	707	Producer	4 December 2015	53	64
Kayumovskoe	7K	76	Producer	2 April 2016	14	n/a, waiting for well completion
Kayumovskoe	7K	77	Producer	15 April 2016	15	n/a, waiting for well completion

Dmitry Margelov
Chief Executive Officer

FINANCIAL REVIEW

The interim condensed consolidated financial information of Exillon Energy plc for the six month period ended 30 June 2016 has been prepared in accordance with IAS 34 "Interim Financial Statements". The condensed consolidated financial information and the relevant notes should be read in conjunction with this review which has been included to assist in the understanding of the Group's financial position at 30 June 2016 and financial performance for the six months then ended.

Revenue

Our revenue for the six months ended 30 June 2016 decreased by 41% compared to the same period in 2015, reaching US$64.1 million (1H 2015: US$108.7 million), of which US$14.1 million or 22% came from export sales of crude oil and US$50.0 million or 78% came from domestic sales of crude oil (1H 2015: US$50.1 million or 46% came from export sales of crude oil and US$58.6 million or 54% came from domestic sales of crude oil). This change in revenue is attributable to:

- a decrease in production leading to a 10% decrease in sale volumes from 2,972,066 bbl in 1H 2015 to 2,683,413 bbl in 1H 2016; and
- a decline in average commodity prices: we achieved an average oil price of US$28.9 / bbl for export sales (1H 2015: US$50.1 / bbl) and US$22.8 / bbl for domestic sales (1H 2015: US$29.7 / bbl).

Although the achieved average price for export sales significantly exceeds average domestic sales price, the effect is diminished by the expenses associated with export sales, such as export duty and transportation services provided by Transneft.

Operating Results

Cost of sales excluding depreciation and depletion expenses decreased to US$16.6 million (1H 2015: US$54.2 million), along with the decrease in production by 11% to 2,694,875 bbl (1H 2015: 3,012,458 bbl). The difference between the production volumes and sales volumes is due to the change in the oil inventory balance during the period. The major decrease occurred in mineral extraction tax from US$45.0 million in 1H 2015 to US$7.1 million in 1H 2016. It is mostly a result of 0% mineral extraction tax rate applied to the oil produced from a certain oil reservoir by Exillon WS, which includes oil production from the majority of oil wells located at EWS I and EWS II oil fields. A 0% tax rate was applied to 1,766,814 bbl or 84% of crude oil produced by Exillon WS out of the total production of 2,102,145 bbl during the first six months of 2016. The tax exemption for this oil reservoir was introduced by Russian legislation in the second half of 2015 with effective date from 1 January 2015. In general, the increase of the base tax rate from 766 Russian Roubles per tonne of crude oil in 2015 to 857 Russian Roubles per tonne in 2016 was offset by the combined effect of Russian Rouble depreciation, decline in average crude oil prices used in the calculation of the tax and the decrease in production volumes. In 1H 2016 the effective average exchange rate was 70.2583 Russian Roubles to one US dollar (Rouble/US$) compared to 57.3968 Rouble/US$ in 1H 2015.

Depreciation and depletion costs ("DD&A") primarily relate to the depreciation of proved and probable reserves and other production and non-production assets. These costs amounted to US$8.9 million in 1H 2016 compared to US$10.4 million in 1H 2015. The decrease in DD&A costs was a result of the combined effect of lower production volumes and Russian Rouble depreciation, since most of DD&A costs are nominated in Russian Roubles, partially offset by DD&A charge on the additions to property, plant and equipment.

Selling expenses in 1H 2016 amounted to US$7.5 million (1H 2015: US$20.3 million) and comprised of export duties of US$3.0 million, transportation services of US$3.7 million and services of the Transneft crude oil metering system of US$0.8 million (1H 2015: export duties of US$14.7 million, transportation services of US$5.4 million and other selling expenses of US$0.2 million). The major decrease related to export duty as a result of reduced export sales in our sales mix and a decline in average crude oil prices used in the calculation of the duty. Transportation services included services provided by Transneft and trucking services from the infield oil filling stations to oil terminals at Transneft. Services provided by Transneft of US$1.6 million (1H 2015: US$3.8 million) related to export sales of crude oil and decreased due to the change in our sales mix. During both periods domestic customers have been paying directly to Transneft for its transportation services. In 2016, all crude oil produced at Exillon TP was trucked to Transneft pipeline, due to changes in transportation logistics affecting new customers. This drove an increase in trucking services to Transneft from US$1.6 million in 1H 2015 to US$2.1 million in 1H 2016. Accordingly, in 2016 Exillon TP used Transneft crude oil metering system services at a cost of US$0.8 million. These changes at Exillon TP were in place starting from the second half of 2015.

Administrative expenses in 1H 2016 (excluding depreciation and amortization) amounted to US$2.8 million in comparison to US$4.2 million in 1H 2015. In 1H 2016, savings were achieved in salary and related taxes and consulting services.

In 1H 2016 interest income amounted to US$0.8 million (1H 2015: US$1.4 million) resulting from surplus cash being held on short-term bank deposits and purchase of short-term interest-bearing bank bills of exchange. The decrease in Russian Rouble nominated interest income was a result of depreciation of Russian Rouble against US dollar during 1H 2016 as compared to 1H 2015.

It should be noted that in accordance with IFRS a foreign exchange loss of US$2.1 million (1H 2015: US$4.2 million) has been included in our net profit arising from the revaluation of foreign currency monetary items (cash and cash equivalents, accounts receivable and payable, other assets) using the closing rate at the reporting date. The foreign exchange loss in 1H 2015 was mostly attributable to US dollar nominated cash and cash equivalents held by Russian subsidiaries and was a consequence of the exchange rate decrease from 56.2584 Rouble/US$ as of 31 December 2014 to 55.524 Rouble/US$ as of 30 June 2015. The foreign exchange loss recognised in 1H 2016 was a result of the exchange rate decrease from 72.8827 Rouble/US$ as of 31 December 2015 to 64.2575 Rouble/US$ as of 30 June 2016. During 1H 2016 the foreign exchange loss arising on US dollar denominated cash held by Russian subsidiaries was offset by foreign exchange gain attributable to the intercompany loan, which is expected to be settled to fund repayments of the Group’s external debt and is not considered to be as permanent as equity. During both periods the exchange rate endured a substantial volatility: in 1H 2015 it fluctuated between the highest rate of 69.664 Rouble/US$ achieved on 3 February 2015 and the lowest rate of 49.1777 Rouble/US$ achieved on 20 May 2015; while in 1H 2016 the highest rate of 83.5913 Rouble/US$ was achieved on 22 January 2016 and the lowest rate of 63.7162 Rouble/US$ was achieved on 23 June 2016. A foreign exchange gain of US$41.2 million (1H 2015: US$4.4 million) has been recognised in other comprehensive income as part of the translation reserve.

As a result of the above, net profit for the first six months of 2016, which includes depreciation costs and foreign exchange translation effects, amounted to US$22.3 million compared to net profit of US$13.2 million for the six months ended 30 June 2015.

Financial position

We ended the period with US$126.7 million of cash and cash equivalents and outstanding borrowings of US$23.1 million (31 December 2015: US$64.6 million and US$38.6 million, respectively). The entire outstanding borrowings relate to the current portion of the loan principal. According to the repayment schedule it will be repaid within 12 months after the reporting date in equal quarterly instalments. During the six months ended 30 June 2016 the principal of US$15.4 million has been repaid in compliance with the repayment schedule.

The additions to the property, plant and equipment of US$5.4 million included US$0.6 million of capitalised interest, with the remaining amount attributable to the drilling of oil wells and further development of infield infrastructure in Exillon WS and Exillon TP. This was partially offset by depreciation and depletion of US$8.9 million, while the positive effect was enhanced by the translation difference of US$37.9 million, due to the appreciation of the Russian Rouble against the US dollar at the reporting date (the exchange rate was 72.8827 Rouble/US$ as of 31 December 2015 and 64.2575 Rouble/US$ as of 30 June 2016).

Cash flow

In 1H 2016 operating cash flows reflect a cash reimbursement of $26,847 thousand received in April 2016 by Exillon WS for mineral extraction tax, which was receivable as of 31 December 2015 due to the tax exemption applied in 2015.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are set out on pages 20 to 23 of the Directors' Report section of the Annual Report for the year ended 31 December 2015, a copy of which is available on the Company's website at www.exillonenergy.com. The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance over the remainder of the financial year have not changed from those that were set out in the Group's 2015 Annual Report.

For reference we summarise below the principal risks and uncertainties:

- substantial and/or extended decline in the prices for crude oil;
- fluctuations in currency exchange rates materially and adversely affecting our financial results and condition;
- continued high levels of inflation in Russia;
- potential significant capital expenditures that may be required to increase production levels and overall efficiency, and any inability to finance these and other expenditures;

- suspension, restriction, termination or lack of extension to our exploration and production licences issued by the Russian authorities;
- potential claims and liabilities under environmental, health, safety and other laws and regulations;
- under-development of the Russian legal system and Russian legislation creating an uncertain environment for investment and business activity;
- potential tax audits by the Russian tax authorities, resulting in additional tax liabilities;
- frequent changes to Russian tax law and practice;
- operational risks of drilling and the introduction of new technology, leading to losses and failure to achieve planned production targets;
- drilling, exploration and production risks and hazards which may prevent us from realising profits resulting in substantial losses;
- poor condition of Russian physical infrastructure leading to disruption of normal business activity;
- third party provision of some services, including transportation services;
- transportation of produced crude oil via a single pipeline system operated by an external provider – Transneft;
- variable weather conditions at our oil fields which may limit the production during certain times of the year;
- intense competition within the oil industry and adverse affects by global economic conditions;
- forced liquidation of some companies in the Group as a result of negative net assets;
- social, political and economic instability in the Russian Federation leading to a potential material adverse effect on operations, financial conditions and prospects;
- crime and corruption hindering the Company’s ability to conduct business effectively leading to a potential material adverse affect on our financial condition and results of operations;
- dependence on senior management personnel and on maintaining a highly qualified skilled workforce;
- failure to manage the Company’s growth or to execute or integrate acquisitions;
- changes in the foreign policy of the Russian government and changes in its key global relationships leading to an adverse affect on the Russian political and economic environment in general;
- potential difficulties in enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions preventing the Group or investors from obtaining effective redress in court proceedings;
- foreign and court judgments not being recognised and enforceable against the Group's Russian subsidiaries;
- increased presence of the Russian state within the private sector as a consequence of the international financial crisis and the resulting downturn in Russian economy. Expropriation or nationalisation of any of the Group's or subsidiaries' assets without fair compensation, leading to a material adverse effect on the Group's business, prospects, financial condition and results of operations;
- shareholder liability under Russian legislation leading to the Company becoming liable for the obligations of its Russian subsidiaries.

Directors

A full list of Directors is maintained on the Group's website: exillonenergy.com.

Related parties

Related party transactions are disclosed in Note 21.

Statement of directors' responsibilities

The Directors of the Company hereby confirm that to the best of their knowledge:

(a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34; and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8 (being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period).

On behalf of the Board of Directors of Exillon Energy plc.

Dmitry Margelov
Chief Executive Officer

Disclaimer

This document may contain forward-looking statements concerning the financial condition and results of operations of the Group. Forward-looking statements are statements of future expectations that are based on the management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. No assurances can be given as to future results, levels of activity and achievements and actual results, levels of activity and achievements may differ materially from those expressed or implied by any forward-looking statements contained in this report. The Company does not undertake any obligation to update publicly or revise any forward-looking statement as a result of new information, future events or other information.

INDEPENDENT REVIEW REPORT TO Exillon Energy PLC

Introduction

We have been engaged by the Exillon Energy PLC (the "Company") to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the interim consolidated statement of comprehensive income, interim consolidated statement of financial position, interim consolidated statement of changes in equity, interim consolidated statement of cash flows and the related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLC
Chartered Accountants
Douglas
Isle of Man

25 August 2016

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2016	**2015**
		Unaudited	
		$'000	*$'000*
Revenue	6	64,071	108,720
Cost of sales	7	(25,262)	(64,411)
GROSS PROFIT		**38,809**	**44,309**
Selling expenses	8	(7,490)	(20,281)
Administrative expenses	9	(3,029)	(4,351)
Foreign exchange loss		(2,066)	(4,217)
Other income		1,219	876
Other expense		(365)	(491)
OPERATING PROFIT		**27,078**	**15,845**
Finance income		814	1,421
Finance cost		(1,059)	(1,749)
PROFIT BEFORE INCOME TAX		**26,833**	**15,517**
Income tax expense		(4,505)	(2,320)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**22,328**	**13,197**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		42,019	4,690
Income tax effect		(864)	(263)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**41,155**	**4,427**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**63,483**	**17,624**
Earnings per share (EPS):			
Profit for the period attributable to ordinary equity holders of the Company			
- Basic ($)	10	0.14	0.08
- Diluted ($)	10	0.14	0.08

	Note	As at 30 June 2016 Unaudited $'000	As at 31 December 2015 $'000
ASSETS:			
Non-current assets:			
Property, plant and equipment	11	382,624	347,757
Intangible assets		47	42
Deferred income tax assets		384	595
		383,055	**348,394**
Current assets:			
Inventories	12	2,648	2,155
Trade and other receivables	13	3,402	33,806
Income tax receivable		461	408
Other current assets	14	753	1,265
Cash and cash equivalents		126,667	64,595
		133,931	**102,229**
TOTAL ASSETS		**516,986**	**450,623**
LIABILITIES AND EQUITY:			
Equity attributable to owners of the parent:			
Share capital	18	1	1
Share premium	18	272,116	272,116
Other invested capital		68,536	68,536
Retained earnings		372,854	350,526
Translation reserve		(291,971)	(333,126)
		421,536	**358,053**
Non-current liabilities:			
Provision for decommissioning	15	9,833	7,799
Deferred income tax liabilities		26,298	23,595
Long-term borrowings	17	-	7,692
		36,131	**39,086**
Current liabilities:			
Trade and other payables	16	25,465	15,874
Other taxes payable		8,676	2,125
Income tax payable		2,037	4,604
Short-term borrowings	17	23,141	30,881
		59,319	**53,484**
TOTAL LIABILITIES AND EQUITY		**516,986**	**450,623**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other invested capital	Retained earnings	Translation reserve	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2015	**1**		[illegible]	[illegible]	[illegible]	[illegible]
Comprehensive income						
Net profit for the period	-			[illegible]	-	[illegible]
Other comprehensive income						
Translation difference	-				[illegible]	[illegible]
Total comprehensive income	**-**			[illegible]	[illegible]	[illegible]
Balance at 30 June 2015 (unaudited)	**1**		[illegible]	[illegible]	[illegible]	[illegible]
Balance at 1 January 2016	**1**		[illegible]	[illegible]	[illegible]	[illegible]
Comprehensive income						
Net profit for the period	-			[illegible]	-	[illegible]
Other comprehensive income						
Translation difference	-				[illegible]	[illegible]
Total comprehensive income	**-**			[illegible]	[illegible]	[illegible]
Balance at 30 June 2016 (unaudited)	**1**		[illegible]	[illegible]	[illegible]	[illegible]

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2016	2015
		Unaudited	
		$'000	*$'000*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		26,833	15,517
Adjustments for:			
Depreciation, depletion and amortisation	11	8,918	10,351
Gain on disposal of property, plant and equipment		(7)	(10)
Finance income		(814)	(1,421)
Finance cost		1,059	1,749
Foreign exchange loss		2,066	4,217
Unused vacation accrual	7, 9	114	37
Bad debt expense		132	-
Reverse of bad debt expense		-	(47)
Operating cash flow before working capital changes		**38,301**	**30,393**
Changes in working capital:			
Increase in inventories		(179)	(2,531)
Decrease/(increase) in trade and other receivables		32,471	(3,533)
Increase/(decrease) in trade and other payables		8,520	(6,661)
Increase/(decrease) in taxes payable		5,731	(760)
Cash generated from operations		**84,844**	**16,908**
Interest received		657	871
Interest paid		-	(109)
Income tax paid		(5,216)	(2,277)
Net cash generated from operating activities		**80,285**	**15,393**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,816)	(29,057)
Interest paid (capitalised portion)		(583)	(764)
Net cash used in investing activities		**(5,399)**	**(29,821)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of loan	17	(15,385)	(15,385)
Interest paid		(703)	(1,303)
Net cash used in financing activities		**(16,088)**	**(16,688)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		58,798	(31,116)
Translation difference		3,274	(4,264)
Cash and cash equivalents at beginning of the period		64,595	94,543
Cash and cash equivalents at end of the period		**126,667**	**59,163**

Total interest paid during the six months ended 30 June 2016 comprised $1,286 thousand (the six months ended 30 June 2015: $2,176 thousand).

1. BACKGROUND

The principal activity of Exillon Energy plc (the “Company” or the “Parent”) and its subsidiaries (together “the Group”) is exploration, development and production of oil. The Group’s production facilities are based in the Republic of Komi and the Khanty-Mansiysk Region of the Russian Federation. The Group’s structure is provided in Note 22.

Exillon Energy plc is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the Isle of Man. The Company was formed on 27 March 2008. Its registered address is Fort Anne, South Quay, Douglas, Isle of Man, IM1 5PD.

As at 30 June 2016, the largest shareholder has 29.99% (2015: 29.99%) in the Company's outstanding issued share capital.

The Group’s operations are conducted primarily through its operating segments, Exillon TP and Exillon WS.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The operations carried out by the Group are not subject to seasonality or cyclical factors.

3. GOING CONCERN

The principal risks and uncertainties, which are likely to affect the Group’s future development, performance and position including financial risk factors are set out in paragraph “Principal risks and uncertainties” above. The Group’s forecasts and projections, taking account of reasonable changes in trading performance (including oil price), show that the Group can operate with its current cash holding. The assessment was performed with consideration of Group’s business, budget, cash flow forecast, trading estimates, contractual arrangements, committed financing and exposure to contingent liabilities, financial covenant calculation and the principal risks and uncertainties.

Having considered the above matters, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence and meet its liabilities as they fall due for the foreseeable future, being at least 12 months from the date of approval of the consolidated interim financial statements. For this reason the Directors continue to adopt the going concern basis of accounting in preparing the consolidated interim financial statements.

4. ACCOUNTING POLICIES

Accounting policies – the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2015.

During the six months ended 30 June 2016 the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Critical accounting judgments and key sources of estimation uncertainty:

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, except for the change in certain major assumptions used in estimation of decommissioning costs:

Decommissioning costs

Provision for decommissioning represents the present value of decommissioning costs relating to the Russian Federation oil and gas interests, which are expected to be incurred in a time period between 2025 and 2038. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. Those estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Major assumptions used in estimation of decommissioning costs are set out below:

Exillon TP:

- as at 30 June 2016, undiscounted value of estimated future cash outflows is estimated at $5,744 thousand (31 December 2015: $5,007 thousand);
- expected timing of future cash outflows – the majority of the expenditure is expected to take place in a range between 2026 and 2038 (2015: between 2026 and 2038);
- discount rate (based on long-term maturity Russian government bonds) – 8% per annum (2015: 9%);
- inflation rate (based on the external analysts’ forecasts) – 4-8% per annum (2015: 4-8%).

If the discount rate had increased by 1% to 9% at 30 June 2016, the decommissioning liability would have been $417 thousand lower (31 December 2015: $306 thousand lower).

Exillon WS:

- as at 30 June 2016, undiscounted value of estimated future cash outflows is estimated at $10,349 thousand (31 December 2015: $8,978 thousand);
- expected timing of future cash outflows – the majority of the expenditure is expected to take place in 2025 (2015: 2025);
- discount rate (based on long-term maturity Russian government bonds) – 8% per annum (2015: 9%);
- inflation rate (based on the external analysts’ forecasts) – 4-8% per annum (2015: 4-8%).

If the discount rate had increased by 1% to 9% at 30 June 2016, the decommissioning liability would have been $593 thousand lower (31 December 2015: $506 thousand lower).

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group’s investment decision-making process. They are also an important element in testing for impairment. Changes in oil and gas reserves, particularly proved and probable reserves, will affect unit-of-production depreciation charges in the consolidated statement of comprehensive income.

Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as depletion charges and provision for decommissioning) that are based on proved and probable reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and being depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Group's estimates of proved and probable reserves also affect the amount of depletion recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved and probable reserves will increase depletion charges (assuming constant production) and reduce profit.

Proved and probable reserve estimates of the Group as of 31 December 2014 were based on the reports prepared by Miller and Lents Ltd, independent engineering consultants, adjusted by 2015 and the six months ended 30 June 2016 production.

As at 30 June 2016, the net carrying amount of oil and gas properties and related cost of production licence was $286,184 thousand (31 December 2015: $253,675 thousand).

Taxation

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation incorporated in the Russian Federation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit matters based on estimates on whether additional tax will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Net investment in foreign operations

Loans issued to foreign subsidiaries, the settlement of which is neither planned nor likely to occur in the foreseeable future, form part of the Group's net investment in those subsidiaries. In 2014 the Group transferred $43.0 million from Exillon Finance LLC to Kayumneft JSC through an intercompany loan. The Group did not consider that repayment of this intercompany loan was likely to occur in the foreseeable future. The intercompany loan formed a part of the Group's net investment in Kayumneft JSC. Foreign exchange differences on the intercompany loan and the corresponding tax effect were recognised in other comprehensive income.

In light of continued decline in oil prices and significant weakening of Russian Rouble leading to the decrease in the Group's profits, in June 2015 management reassessed the judgement and determined that this intercompany loan was expected to be settled to fund repayments of the Group's external debt. Accordingly, from that date, a foreign exchange loss of $11,899 thousand on the intercompany loan has been recognized in profit or loss in 2015. Of this total, a foreign exchange loss of $773 thousand was recognised in the first half of 2015. During the six months ended 30 June 2016, a foreign exchange gain of $4,046 thousand on the intercompany loan has been recognized in profit or loss.

Impairment

The carrying value of the Group's assets can be significantly affected by change in oil prices. The drastic drop in oil price during the last quarter of 2014 and its continuous volatility thereafter have indicated potential impairment of oil and gas properties. The detailed impairment review analysis was made as of 31 December 2015. For the assessment purposes oil and gas assets were grouped into cash-generating units (being Group's oil fields), while other property, plant and equipment assets were allocated to oil fields according to their reserve share in the total portfolio. The recoverable amount for each cash-generating unit was determined based on the future cash flows to be obtained from the proved and probable reserves of the relevant oil field discounted to their present value. The projection of cash flows was made for the period covering 2034, being the expected period to extract currently estimated reserves. With reference to the performed analysis management was able to conclude that in each cash-generating unit the recoverable amount (based on fair value less costs of disposal) exceeds carrying amount of assets, and therefore there is no impairment to be recognised as of 30 June 2016 (31 December 2015: nil).

Key assumptions used for the impairment review as at 31 December 2015 are set out below:

- exchange rate: 72.8827 Russian Roubles per 1 US dollar (actual rate as of 31 December 2015);
- oil price: $18.6 / bbl for domestic sales and $27.3 / bbl for export sales in 2016. The assumption for 2016 was made with the reference to actually achieved prices during the first quarter 2016; growth rate of 10%

(nominal) was applied to oil price in 2017, 2018 and 2019, which is in-line with the recent market forecasts. Growth rate conservatively estimated at nil after the end of the four year forecast, due to the current increased uncertainty in future oil price movements. Oil price after 2019: $24.8 / bbl for domestic sales and $36.3 / bbl for export sales;

- discount rate: 10% per annum (post-tax).

Management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to be below the carrying value of any cash-generating unit.

5. OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by Directors that make the strategic decisions for the Company, who are deemed to be the chief operating decision maker (CODM).

Exillon Energy plc manages its business through two operating segments, Exillon TP and Exillon WS.

- Exillon TP: upstream business based in the Timan-Pechora basin in the Komi Republic in the Russian Federation. The revenue is derived from extraction and sale of crude oil.

- Exillon WS: upstream business based in Western Siberia in the Russian Federation. The revenue is derived from extraction and sale of crude oil.

No operating segments have been aggregated to form the above reportable operating segments.

Segmental information for the Group for the six months ended 30 June 2016 is presented below:

	Exillon TP	**Exillon WS**	**Unallocated**	**Total**
	$’000	*$’000*	*$’000*	*$’000*
Gross segment revenue	13,211	50,860	-	64,071
Revenue	13,211	50,860	-	64,071
Minerals extraction tax	(3,892)	(3,187)	-	(7,079)
Export duties	-	(2,984)	-	(2,984)
Transportation services – Transneft	-	(1,600)	-	(1,600)
Net back	9,319	43,089	-	52,408
EBITDA	4,139	34,126	(210)	38,055
Depreciation and depletion	2,735	6,006	177	8,918
Finance income	(135)	(679)	-	(814)
Finance cost	97	412	550	1,059
Operating profit	1,192	22,224	3,662	27,078
Capital expenditures	783	4,033	-	4,816

Segmental information for the Group for the six months ended 30 June 2015 is presented below:

	Exillon TP	Exillon WS	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*
Gross segment revenue	17,510	91,210	-	108,720
Revenue	17,510	91,210	-	108,720
Minerals extraction tax	(7,701)	(37,249)	-	(44,950)
Export duties	-	(14,662)	-	(14,662)
Transportation services – Transneft	-	(3,758)	-	(3,758)
Net back	9,809	35,541	-	45,350
EBITDA	5,238	26,025	(860)	30,403
Depreciation and depletion	3,208	7,054	89	10,351
Finance income	(28)	(1,393)	-	(1,421)
Finance cost	66	412	1,271	1,749
Operating profit/(loss)	3,218	14,523	(1,896)	15,845
Capital expenditures	1,972	16,485	10,600	29,057

The selling prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There were no intersegment revenues during the six months ended 30 June 2015 and 2016.

Unallocated category represents costs of corporate companies that are managed at the Group level.

Management assesses performance of the operating segments based on EBITDA which is calculated as follows: operating result plus depletion and depreciation, plus/minus foreign exchange gains/(losses) and plus/minus other significant one-off income/(expenses).

Net back is defined as revenue less direct and indirect government taxation. The indicator is calculated as revenue less Mineral Extraction Tax, Export Duty and Transneft transportation services.

Reconciliation of profit before income tax to EBITDA for the six months ended 30 June 2016 is presented below:

	Exillon TP	Exillon WS	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*
Profit before income tax	1,230	22,491	3,112	26,833
Finance income	(135)	(679)	-	(814)
Finance cost	97	412	550	1,059
Depreciation and depletion	2,735	6,006	177	8,918
Foreign exchange (gain)/loss	212	5,903	(4,049)	2,066
Gain on disposal of property, plant and equipment	-	(7)	-	(7)
EBITDA	4,139	34,126	(210)	38,055

Reconciliation of profit/(loss) before income tax to EBITDA for the six months ended 30 June 2015 is presented below:

	Exillon TP	Exillon WS	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*
Profit/(loss) before income tax	3,180	15,504	(3,167)	15,517
Finance income	(28)	(1,393)	-	(1,421)
Finance cost	66	412	1,271	1,749
Depreciation and depletion	3,208	7,054	89	10,351
Foreign exchange (gain)/loss	(1,187)	4,457	947	4,217
Gain on disposal of property, plant and equipment	(1)	(9)	-	(10)
EBITDA	5,238	26,025	(860)	30,403

During the six months ended 30 June 2016 the Group earned revenues each exceeding 10% of the Group's revenues from three major customers: $13,204 thousand (attributable to domestic sales reported by Exillon TP), $14,077 thousand and $20,111 thousand (attributable to export and domestic sales reported by Exillon WS, respectively).

During the six months ended 30 June 2015 the Group earned revenues each exceeding 10% of the Group's revenues from three major customers: $17,125 thousand (attributable to domestic sales reported by Exillon TP), $17,318 thousand and $32,798 thousand (both attributable to export sales reported by Exillon WS).

6. REVENUE

	Six months ended 30 June	
	2016	**2015**
	$'000	*$'000*
Domestic sales	49,994	58,603
Export sales	14,077	50,117
Total	**64,071**	**108,720**

7. COST OF SALES

	Six months ended 30 June	
	2016	**2015**
	$'000	*$'000*
Depreciation and depletion	8,704	10,208
Minerals extraction tax	7,079	44,950
Current repair of property, plant and equipment	3,153	1,593
Salary and related taxes	1,914	2,860
Operating lease	1,281	1,332
Licence maintenance cost	1,231	1,489
Taxes other than income tax	1,060	1,222
Materials	658	609
Unused vacation accrual	94	22
Gas flaring penalties	88	121
Oil treatment and infield transportation	-	5
Total	**25,262**	**64,411**

During the six months ended 30 June 2016, Exillon WS applied 0% mineral extraction tax rate to the oil produced from the certain oil reservoir, which include oil production from the majority of oil wells located at EWS I and EWS II oil fields. The tax exemption for this oil reservoir was introduced in the second part of 2015 (with effective date from 1 January 2015). The tax exemption amounted to $16,695 thousand for the first six months of 2016.

During the six months ended 30 June 2016, Exillon TP applied reducing factors to the mineral extraction tax rate, which reflect the specific characteristics of oil production from ETP V and ETP VI oil fields. The tax exemption amounted to $418 thousand for the first six months of 2016.

8. SELLING EXPENSES

	Six months ended 30 June	
	2016	**2015**
	$'000	*$'000*
Export duties	2,984	14,662
Transportation services – trucking to Transneft	2,145	1,647
Transportation services – Transneft	1,600	3,758
Crude oil custody transfer metering system	752	-
Other expenses	9	214
Total	**7,490**	**20,281**

9. ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2016	**2015**
	$'000	*$'000*
Salary and related taxes	1,848	2,648
Consulting services	359	647
Depreciation and amortisation	214	143
Operating lease	155	125
Banking services	59	210
Communication services	54	76
Secretary services	54	47
Insurance	41	34
Software	34	29
Business travel	27	59
Annual fees to LSE and WSE	23	19
Unused vacation accrual	20	15
Current office maintenance	10	12
Accounting fees	-	98
Recruiting services	-	1
Other expenses	131	188
Total	**3,029**	**4,351**

10. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing net profit for the period attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and adjusted share data used in the EPS computations:

	Six months ended 30 June	
	2016	**2015**
	$'000	*$'000*
Net profit attributable to ordinary equity shareholders of the Company	22,3[illegible]	13,19[illegible]
Number of shares:		
Weighted average number of ordinary shares	160,315,209	160,315,209
Adjustments for:		
- Shares additionally issued for share awards	-	-
Weighted average number of ordinary shares for diluted earnings per share	160,315,209	160,315,209
Basic ($)	**0.14**	**0.08**
Diluted ($)	**0.14**	**0.08**

11. PROPERTY, PLANT AND EQUIPMENT

	Note	Oil and gas properties	Exploration and evaluation assets	Buildings and construction	Machinery, equipment, transport and other	Construction in progress	Total
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost							
31 December 2015		**304,002**	**558**	**70,482**	**37,585**	**14,173**	**426,800**
Additions		736	-	-	44	4,666	
Transferred from construction in progress		8,428	-	44	846	(9,318)	
Change in estimates		419	-	-	-	-	[illegible]
Disposals		-	-	(12)	(1)	-	[illegible]
Translation difference		32,167	75	5,613	2,821	4,740	[illegible]
30 June 2016 (unaudited)		**345,752**	**633**	**76,127**	**41,295**	**14,261**	**478,068**
Accumulated depreciation							
31 December 2015		**(50,327)**	**-**	**(13,435)**	**(15,281)**	**-**	[illegible]
Charge for the period		(4,952)	-	(2,562)	(1,404)	-	[illegible]
Disposals		-	-	1	1	-	2
Translation difference		(4,289)	-	(1,794)	(1,402)	-	(7,485)
30 June 2016 (unaudited)		**(59,568)**	**-**	**(17,790)**	**(18,086)**	**-**	[illegible]
Net book value							
31 December 2015		**253,675**	**558**	**57,047**	**22,304**	**14,173**	[illegible]
30 June 2016 (unaudited)		**286,184**	**633**	**58,337**	**23,209**	**14,261**	[illegible]

Decommissioning costs of $6,938 thousand and $5,608 thousand were included within oil and gas properties as of 30 June 2016 and 31 December 2015, respectively. Change in estimates relates to the change in the assumptions used in estimation of decommissioning costs (Note 4).

Cumulative capitalized borrowing costs of $19,826 thousand and $19,267 thousand were included within oil and gas properties as of 30 June 2016 and 31 December 2015, respectively. Total borrowing costs incurred during the six months ended 30 June 2016 period amounted to $1,108 thousand, of which $559 thousand were capitalised (31 December 2015: total borrowing costs amounted to $3,590 thousand of which $1,787 thousand were capitalised). There is no tax relief related to the capitalised borrowing costs.

Exploration and evaluation assets as of 30 June 2016 and 31 December 2015 comprise the ETP VII licence acquired in December 2011. Construction in progress relates to the construction of infield infrastructure and drilling of oil wells commenced in 2015 and 2016.

In 2015, the Group purchased an aircraft for $10,600 thousand, which was subsequently leased to an unrelated third party for a period of ten years at a monthly lease payment of $130 thousand; with the retained right to use the aircraft for the Company's needs on commercial payment terms.

Minimum lease payments were as follows:

	As at	
	30 June 2016	31 December 2015
	$'000	*$'000*
Within one year	1,560	1,560
Two to five years	6,240	6,240
Later than five years	5,850	6,630
Total	**13,650**	**14,430**

12. INVENTORIES

	As at	
	30 June 2016	31 December 2015
	$'000	*$'000*
Crude oil	1,427	865
Spare parts	690	652
Chemicals	284	419
Fuel	247	219
Total	**2,648**	**2,155**

Inventories included no obsolete or slow-moving items as of 30 June 2016 (31 December 2015: nil).

13. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016	31 December 2015
	$'000	*$'000*
Trade receivables	34	557
Allowance for doubtful debts	(29)	(26)
Net trade receivables	5	531
Other receivables (net of provision of $3 thousand (31 December 2015: $3 thousand))	2,922	1,434
Taxes recoverable	274	31,796
Interest receivable on bank deposits	201	45
Current trade and other receivables	**3,402**	**33,806**

Trade receivables are non-interest bearing. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the management of the Group believes that there is no further credit provision required in excess of the allowance for doubtful debts.

At 31 December 2015, taxes recoverable included $31,390 thousand of mineral extraction tax for crude oil, which was receivable due to the tax exemptions applied to the oil produced from the certain Group's oil fields (Note 7). In April 2016, Exillon WS received a cash reimbursement in the amount of $26,847 thousand. The remaining amount of $4,543 thousand has been offset against taxes payable (of which $3,751 thousand offset against income tax and $792 thousand against VAT).

14. OTHER ASSETS

	As at	
	30 June 2016	**31 December 2015**
	$'000	*$'000*
Prepayments (net of provision of $550 thousand (31 December 2015: $367 thousand))	538	852
Prepaid expenses	215	413
Other current assets	**753**	**1,265**

15. PROVISION FOR DECOMMISSIONING

		As at	
	Note	**30 June 2016**	**31 December 2015**
		$'000	*$'000*
Balance at the beginning of the period		7,799	6,374
Change in estimates	11	419	1,578
Unwinding of the present value discount		379	700
Additions		72	1,128
Translation difference		1,164	(1,981)
Balance at the end of the period		**9,833**	**7,799**

In accordance with the licence agreements the Group is liable for site restoration, clean up and abandonment of the wells upon completion of their production cycle. The provision for future site restoration relates to obligations to restore the oilfields after use. All of these costs are expected to be incurred at the end of the life of wells between 2025 and 2038 (Note 4). They depend on the estimated lives of the wells, the scale of any possible contamination and the timing and extent of corrective actions.

The unwinding of the discount related to future site restoration and abandonment reserve is included within finance costs.

16. TRADE AND OTHER PAYABLES

	As at	
	30 June 2016	**31 December 2015**
	$'000	*$'000*
Trade payables	12,441	7,306
Advances received	11,226	6,825
Salary payable	700	812
Other payables	1,098	931
Current trade and other payables	**25,465**	**15,874**

Trade and other payables are non-interest bearing. At 30 June 2016, advances of $11,226 thousand (31 December 2015: $6,825 thousand) relate to the receipts from customers for the sales in July 2016 (31 December 2015: January 2016).

17. BORROWINGS

	As at	
	30 June 2016	**31 December 2015**
	$’000	*$’000*
Credit Suisse	23,141	38,573
Less: current portion	(23,141)	(30,881)
Long-term portion	**-**	**7,692**

There is no material difference between the carrying amount and fair value of borrowings.

Credit Suisse – On 10 September 2010, the Group agreed a loan facility of $50 million with a term of 3.5 years. Interest was charged at LIBOR plus 7%.

In March 2012 the existing loan facility was replaced by a $100 million loan facility with a term of 5 years. The loan bears an interest rate at LIBOR plus 6% and is repayable in equal quarterly installments with the first repayment made in March 2014. The interest is payable quarterly with the first payment made in June 2012. During the six months ended 30 June 2016 principal of $15,385 thousand has been repaid in compliance with the repayment schedule.

The loan is secured by a pledge of the 100% shares of certain Group's subsidiaries (Note 22): Ucatex Oil LLC, Kayumneft JSC, Nem Oil CJSC, Komi Resources CJSC, Ucatex Ugra LLC, Actionbrook Limited, Claybrook Limited, Diamondbridge Limited, Lanach Limited, Halescope Limited, Vitalaction Limited, Corewell Limited, Touchscope Limited, Silo Holdings Limited and Exillon Finance Limited.

The loan is also secured with future revenue under export contracts.

18. SHARE CAPITAL

The issued share capital of the Company at the date of these consolidated financial statements is as follows:

	Number (allotted and called up)	**Share capital**	**Share Premium**
		$’000	*$’000*
As at 31 December 2014	**161,510,911**	**1**	**[illegible]**
Issuance of shares	-	-	-
As at 31 December 2015	**161,510,911**	**1**	**[illegible]**
Issuance of shares	-	-	-
As at 30 June 2016	**161,510,911**	**1**	**[illegible]**

The total number of allotted ordinary shares is 161,510,911 with a par value of $0.0000125 each. As of 30 June 2016 shares issued include 1,195,702 shares (31 December 2015: 1,195,702 shares), which are not paid and held by the Employee Benefit Trust within the Group for further allocation to employees. There were no new share awards granted to employees during the six months ended 30 June 2016.

19. RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

Major categories of financial instruments - The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents and interest receivable on bank deposits. The Group's principal financial liabilities comprise borrowings, trade and other accounts payable, advances received and salary payable.

	Note	As at 30 June 2016	As at 31 December 2015
		$'000	*$'000*
Financial assets			
Cash and cash equivalents		126,667	64,595
Trade and other receivables	13	2,927	1,965
Interest receivable on bank deposits	13	201	45
Total financial assets		**129,795**	**66,605**
Financial liabilities			
Trade and other payables	16	13,539	8,237
Advances received	16	11,226	6,825
Salary payable	16	700	812
Borrowings	17	23,141	38,573
Total financial liabilities		**48,606**	**54,447**

The major part of cash is held on short-term and long-term deposits placed in financial institutions incorporated in the Russian Federation, which provide premium deposit rates. The financial ability of financial institutions and overall market circumstances are continuously monitored by management based on the information provided by independent rating agencies or other publicly available financial information.

As of 30 June 2016, cash and cash equivalents amounted to $126,563 thousand were held in one financial institution; with the interest receivable of $201 thousand (Note 13) attributable to the deposits at the same financial institution (31 December 2015: cash and cash equivalents of $64,493 thousand and the interest receivable of $45 thousand).

As of 30 June 2016 US dollars account for approximately 43% of cash and cash equivalents with the remaining 57% held in Russian Roubles.

Fair value of financial instruments – Management believes that the carrying values of financial assets and liabilities recorded at amortised cost in these financial statements approximate their fair values. All fair value measurements are calculated using inputs which are based on observable market data (observable inputs) (Level 2).

20. COMMITMENTS AND CONTINGENCIES

Capital commitments – The Group has capital commitments outstanding against major contracts:

Nature of contract:	As at 30 June 2016	As at 31 December 2015
	$'000	*$'000*
Construction of wells and infield infrastructure	5,751	6,659
Oil reserves development work	507	773
Other	95	123
Total	**6,353**	**7,555**

Leases – the Group leases two oil wells and associated land plots from government agencies in the Russian Federation. The contracts will expire in 2017 and 2038, respectively. The lease terms allow for continued lease renewal after expiry of the initial term. According to the Article 621(2) of the civil code of the Russian Federation such leases are renewed for an indefinite term if the tenant continues to use the property after the term of the lease has expired in the absence of objections from the lessor, although either party is entitled to terminate the lease upon three months' notice. Management has a reasonable expectation that lease contracts, expiring in 2017, will be renewed.

21. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's outstanding balances with related parties attributable to cash and cash equivalents balances:

	As at	
	30 June 2016	**31 December 2015**
	$'000	*$'000*
Other related party:		
Bank Ugra		
Cash and cash equivalents	126,563	64,493
Total	**126,563**	**64,493**

On 30 December 2015, the Company purchased bank bills of exchange from Bank Ugra for the total amount of $26,322 thousand bearing interest of 2.5% per annum. As at 30 June 2016 and 31 December 2015 bank bills of exchange were included within cash and cash equivalents in the consolidated statement of financial position.

Transactions with related parties during the period were as follows:

	Six months ended 30 June 2016
	$'000
Other related party:	
Bank Ugra	
Interest income	812
Banking services	(48)
Total	**764**

Bank Ugra became a related party to the Company on 25 December 2015, when Mr. Khotin (having a significant influence over Exillon as an ultimate controlling party of Seneal International Agency Ltd, which held a 29.99% interest in the company's share capital), obtained control over the bank.

Compensation of key management personnel – Key management personnel consist of independent non-executive directors, executive directors, directors and presidents of operational subsidiaries. Compensation of key management personnel is set by senior executives of the Group and includes only basic salary. Total compensation to key management personnel included in administrative expenses in the consolidated statement of comprehensive income was $694 thousand for the six months ended 30 June 2016 (2015: $644 thousand).

22. CONTROLLED ENTITIES

A list of the Company's principal subsidiaries is set out below:

Name	Country of incorporation	Principal activity	Ownership/proportion of ordinary shares as at 30 June 2016	Ownership/proportion of ordinary shares as at 31 December 2015
Kayumneft JSC	Russian Federation	Subsoil user	100%	100%
Nem Oil CJSC	Russian Federation	Subsoil user	100%	100%
Komi Resources CJSC	Russian Federation	Subsoil user	100%	100%
Aslador Oil CJSC	Russian Federation	Subsoil user	100%	100%
Ucatex Oil LLC	Russian Federation	Operator company	100%	100%
Ucatex Ugra LLC	Russian Federation	Operator company	100%	100%
Silo Holdings LLC	BVI	Oil trading	100%	100%
Actionbrook Limited	Cyprus	Administration	100%	100%
Claybrook Limited	Cyprus	Administration	100%	100%
Diamondbridge Limited	Cyprus	Administration	100%	100%
Lanach Limited	Cyprus	Administration	100%	100%
Halescope Limited	Cyprus	Administration	100%	100%
Vitalaction Limited	Cyprus	Administration	100%	100%
Corewell Limited	Cyprus	Administration	100%	100%
Touchscope Limited	Cyprus	Administration	100%	100%
Lexgrove Limited	Cyprus	Administration	100%	100%
Plusgrove Limited	Cyprus	Administration	100%	100%
Exillon Finance LLC	Isle of Man	Treasury	100%	100%