15 September 2014

Volga Gas plc
('Volga Gas' or 'the Company' or 'the Group')
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Volga Gas, the oil and gas exploration and production group operating in the Volga Region of Russia, is pleased to announce its results for the six months ended 30 June 2014.

HIGHLIGHTS

FINANCIAL RESULTS AND MAIDEN DIVIDEND

- Revenues increased by 50% to US$23.2 million (H1 2013: US$15.4 million)
- EBITDA up 97% to US$11.2 million (H1 2013: US$5.7 million)
- Profit before tax up 88% to US$8.0 million (H1 2013: US$4.3 million)
- Net profit up 83% to US$6.2 million (H1 2013: US$3.4 million) after a US$1.9 million deferred tax charge (H1 2013: US$0.9 million).
- Net cash flow from operations before working capital movements of US$10.7 million (H1 2013: US$6.6 million)
- Cash at 30 June 2014 of US$16.8million (US$8.1 million at 31 December 2013) and no debt (US$ nil at 31 December 2013)
- Maiden interim dividend of US$0.0375 per share proposed by the Board

OIL, GAS AND CONDENSATE PRODUCTION

- Group production increased 72% to average 4,419 barrels of oil equivalent per day ("boepd") in H1 2014 (H1 2013: 2,569 boepd)
- Group production is currently averaging approximately 4,900 boepd
- Gas and condensate production from the Vostochny Makarovskoye ("VM") and Dobrinskoye fields more than doubled in H1 2014 compared to H1 2013 from 1,789 boepd to 3,682 boepd
- Gas production during August 2014 has been running consistently at over 509,000 m^3/day (18.0 mmcf/d) plus 1,040 bpd of condensate

DEVELOPMENT ACTIVITY

- Drilling operations on new production well VM#3 is continuing
- Completing installation of auxiliary modules at the gas plant
- Commencing front-end engineering and design study on LPG extraction project

STRATEGIC OPTIONS

- The Formal Sale Process announced on 5 June 2014 is ongoing. Further announcements will be made in due course.

Mikhail Ivanov, Chief Executive Officer of Volga Gas, said:
"Volga Gas has made considerable progress in realizing the benefits from the investment and work in bringing its main assets into production. Having anticipated the strong cash generation, the Company has made the necessary preparations and is now ready to make its first cash dividend payment to shareholders. The operational focus for management is now to maximize production from the Group's fields and achieve an even higher level of sustainable profits and cash generation.

On 5 June 2014, the Company announced that the Board of Volga Gas has been exploring strategic options for the business, including seeking potential offerors for the Company by means of a "formal sale process". This process is continuing and further announcements will be made in due course.

For further information, please contact:

Volga Gas plc

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Editors' notes:

Volga Gas is an independent oil and gas exploration and production company operating in the Volga region of Russia. The company has 100% interests in its four licence areas.

The information contained in this announcement has been reviewed and verified by Mr. Mikhail Ivanov, Director and Chief Executive Officer of Volga Gas plc, for the purposes of the Guidance Note for Mining, Oil and Gas companies issued by the London Stock Exchange in June 2009. Mr. Mikhail Ivanov holds a M.S. Degree in Geophysics from Novosibirsk State University. He also has an MBA degree from Kellogg School of Management (Northwestern University). He is a member of the Society of Petroleum Engineers.

Glossary

Bopd	Barrels of oil per day
Bpd	Barrels per day
Boepd	Barrels of oil equivalent per day, in which 6,000 cubic feet of natural gas is equated to one barrel of oil
mmcf/d)	Millions of standard cubic feet per day

Interim Management Report

Volga Gas and its subsidiaries (together, the "Group") are involved in the exploration, evaluation and production of oil and gas in four licences in the Volga Region of Russia.

The key operational activities of H1 2014 were the commencement of drilling of VM#3, a new production well on the VM field, and the final stages of the upgrade of the Dobrinskoye gas plant. The successful conclusion of these activities is expected to enable the group to achieve further increases in total production over and above the 72% increase in production realised in H1 2014 compared to H1 2013.

During H1 2014 the financial performance of Volga Gas benefitted from the higher production rates and continued profitability, as detailed below. Importantly, this has enabled the Board to commence cash dividends, starting with a maiden interim dividend for 2014. This required the Company to undertake a capital reduction exercise which was completed after the High Court approved the scheme unanimously voted for by shareholders at the Annual General Meeting on 6 June 2014.

In parallel, the Board decided to review the strategic options for the Company and commenced a Formal Sale Process, as announced on 5 June 2014. This process is currently ongoing and further announcements will be made in due course.

Production Operations

Gas and condensate production – Dobrinskoye and VM fields

The Dobrinskoye and VM fields are managed as a single business unit. Production from the fields is processed at the gas plant located next to the Dobrinskoye field, extracting the condensate and processing the gas to pipeline standards before input into Gazprom's regional pipeline system via an inlet located at the plant. Since November 2013, when the upgrade project plan was formally approved by the regulatory authorities, the plant has been operating at a rate of up to 500,000 m^3 per day (approximately 17.7 mmcf/d) under an industrial test regime. After the completion of a number of minor additional pieces of construction required to fulfil the requirements of the regulatory authorities, the final permit for industrial production will be sought. This is expected to be achieved later in 2014.

During H1 2014, the combined gas and condensate production derived from both fields more than doubled, averaging 15.9 mmcf/d of gas and 1,025 bpd of condensate (H1 2013: 7.5 mmcf/d of gas and 540 bpd of condensate).

Gas continues to be sold to Trans Nafta at a fixed price equivalent to approximately US$2.63 per thousand cubic feet, net of VAT (H1 2013: US$2.54). The latest increase in the Rouble contract gas sales price took effect on 1 November 2013 although the US dollar equivalent price has been affected by the weaker exchange rate for the Rouble seen in 2014.

During H1 2014 the average condensate sales price was US$48.45 per barrel (H1 2013: US$48.28 per barrel).

Unit production costs on the gas-condensate fields fell by 28% to US$6.23 per boe (H1 2013: US$8.68) reflecting the benefits of a doubling of throughputs against costs that are approximately 50% non-volume-related. A significant proportion of the costs are accounted for by the usage and disposal of chemicals used in the process. During H1 2014, we continued to investigate ways of reducing these costs and are hopeful of achieving further improvements in total unit costs

Oil production – Uzenskoye and Sobolevskoye fields

During H1 2014, production from the Uzenskoye and Sobolevskoye fields averaged 738 bopd (H1 2013: 780 bopd). While the average production rates reflect the usual seasonal weather-related downtime during the thaw in early spring, the production capacity of the producing wells in the field has declined as production continues to be choked back to prevent water being produced together with the oil.

Installation of water separation equipment on the field, recently concluded at a very modest investment is expected to slow the rate of decline in crude oil production.

Sales prices realised from crude oil increased, averaging US$50.15/bbl net of VAT in H1 2014 (H1 2013: US$49.73/bbl), while production costs remained low at $2.99/bbl (H1 2013: $2.41/bbl). While the relative importance of crude oil in the Group's production mix has changed with the significant increase in gas and condensate, this still remains a useful source of cash flow for the Group.

Development

VM Field
Drilling of the VM#3 production well commenced in May 2014 and as of 9 September 2014 had reached a measured depth of 2,556 metres with a planned depth of 2,770. The operation has taken longer than anticipated as a result of mechanical difficulties, though the cost to Volga Gas is not materially affected.

Gas plant upgrade
The majority of the work to upgrade the processing capabilities and to increase the processing capacity to over 1.0 million m^3/day (35.3 mmcf/d) was completed during 2013 and following receipt of approval of the upgrade project, the plant has been permitted to operate at higher rates than previously. Subsequent construction on the plant has been on minor additional specifications requested by the regulatory authorities. Following completion of these works, expected during H2 2014, permission will be sought for full industrial operation of the plant. Meanwhile, it is permitted to operate under a test industrial regime at up to full technical capacity.

Meanwhile, the Group has also been investigating means of enhancing the gas processing by the use of alternative chemicals. Recent successful trials provide confidence in achieving material savings on the cost of chemicals used in the process, which in 1H 2014 accounted for US$1.6 million from a total operating expense of US$4.9 million.

In addition, the Group is shortly to commence a front-end engineering and design ("FEED") study on a project to further upgrade the gas plant to include recovery of liquefied petroleum gases ("LPG"), principally propane and butane that are currently flared in the process of stabilization of condensate.

Financial Review

Results of Operations
For the six months ended 30 June 2014, Group revenue increased by 50% to US$23.2 million (H1 2013: US$15.4 million) and gross profit increased by 61% to US$10.7 million (H1 2013: US$6.7 million).

With no exploration expenses (H1 2013: $28,000) and administrative expenses of US$2.2 million (H1 2013: US$2.4 million) operating profit rose by 100% to US$8.5 million (H1 2013: US$4.2 million). With borrowing repaid in 2013, the Group earned net interest income in H1 2014 of US$95,000 (H1 2013: net interest expense of US$0.2 million). After other expenses of US$0.6 million (H1 2013: income of US$0.2 million), arising from foreign exchange losses, profit before tax was 88% higher at US$8.0 million (H1 2013: US$4.3 million). In H1 2014 there was a deferred tax charge of US$1.9 million (H1 2013: US$0.9 million). EBITDA, calculated as operating income before exploration expenses, depletion and depreciation was up by 97% to US$11.2 million (H1 2013: US$5.7 million).

Oil and condensate sales are made respectively at the field facilities and the gas plant and are sold to domestic customers and accounted in H1 2014 for US$15.6 million of sales (H1 2013: US$12.2 million). Net sales prices achieved during the six months to 30 June 2014 increased moderately. Average realizations for the six months to 30 June 2014 were US$48.45 per barrel of oil and condensate sold (H1 2013: US$48.27 per barrel). For the six months to 30 June 2014, Mineral Extraction Tax (MET) accounted for 21.4% of revenues (H1 2013: 24.1%). Production costs were 20.7% of revenues (H1 2013: 23.6%). The Depletion and Depreciation charge was 11.5% of revenues (H1 2013: 9.0%).

Cash inflow from operating activities before working capital movements in H1 2014 was US$10.7 million (H1 2013: $6.6 million).

Capital Expenditure
For the six months ended 30 June 2014, the Group incurred capital expenditures of US$2.4 million (H1 2013: US$3.1 million). The capital expenditure in H1 2014 was mainly incurred on the drilling of VM#3 well and the remaining portion of the gas plant upgrade.

Cash Position
The Group had cash balances at 30 June 2014 of US$16.8 million (31 December 2013: US$4.8 million), and no debt (30 June 2013: debt of US$4.7 million).

Dividend
Given the strong financial position of the Group and the expected future ongoing cash generation, the Board of Volga Gas has decided that this is an appropriate time to commence payment of cash dividends. On 10 July, the Company announced the Board's dividend policy, which is to pay out up to 50% of net income as cash dividends – a level which the Board considers to be sustainable and that can be increased as the profitability grows. In line with this policy, the Board has recommended a maiden interim dividend of US$0.0375 per Ordinary Share. The dividend will be paid on 24 October 2014 to shareholders on the register on 26 September 2014. Shareholders will receive the dividends in US dollars unless they elect to be paid in Sterling.

Outlook

During July and August 2014, Group production averaged 4,282 boepd, with production in July affected by a temporary gas plant shut-down for maintenance. Current production is running consistently at approximately 4,900 boepd. The Group continues to manage gas/condensate production in line with sustainable capacity from the existing wells. Successful completion of the new VM#3 well and further development drilling on the VM field will be targeting a plateau rate in line with the gas processing capacity of over one million cubic metres of gas per day.

Based on the full year 2014 budget and the actual spend in 1H 2014, the second half of 2014, the Group's capital expenditure would be approximately US$10.0 million. However, it is likely that some of the planned expenditure, primarily on development drilling on the VM field, may actually be incurred in 2015.

The continuing operational focus of management is on completing the development of the existing asset base so as to maximize the production and cash generation capabilities. This lays a foundation for sustainable production and cash flow which provides a strong platform for future growth.

Principle Risks and Uncertainties
The risks described on pages 10-11 of the 2013 Annual Report and in Note 3 - Financial Risk Management, a copy of which can be obtained from www.volgagas.com, remain extant.

Forward-Looking Statements
Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

VOLGA GAS plc

IFRS CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2014

Group Interim Income Statement (Unaudited)

(presented in US$000, except for profit per ordinary share and number of shares)

Six months ended 30 June	Notes	2014	2013
Continuing operations			
Revenue		23,156	15,388
Cost of sales	4	(12,425)	(8,733)
Gross profit		**10,731**	**6,655**
Exploration and evaluation expense		-	(28)
General and administrative expenses	5	(2,238)	(2,390)
Operating profit/(loss)		**8,493**	**4,237**
Interest and other income		95	11
Financing expenses		-	(194)
Other net income/(expenses)	6	(551)	217
Profit/(loss) before tax		**8,037**	**4,271**
Tax credit/(provision)		(1,882)	(907)
Profit attributable to equity holders		**6,155**	**3,364**
Basic and diluted profit/(loss) per ordinary share (in US dollars)		0.076	0.042
Weighted average number of shares outstanding		*81,017,800*	*81,017,800*

Group Interim Statement of Comprehensive Expenses (Unaudited)

(presented in US$000)

Six months ended 30 June	2014	2013
Profit for the Period	**6,155**	**3,364**
Other comprehensive income	-	-
Currency translation differences	(2,905)	(8,421)
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period	**3,250**	**(5,057)**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Balance Sheet (Unaudited)
(presented in US$000)

As at	Notes	30 June **2014**	31 December **2013**
Assets			
Non-current assets			
Intangible assets	7	6,265	6,438
Property, plant and equipment	7	95,340	98,272
Other non-current assets		162	709
Deferred tax assets		-	750
Total non-current assets		**101,767**	**106,169**
Current assets			
Cash, cash equivalents and bank deposits		16,760	8,081
Inventories		1,742	1,793
Other receivables		3,231	2,869
Total current assets		**21,733**	**12,743**
Total assets		**123,500**	**118,912**
Equity and liabilities			
Equity			
Share capital		1,485	1,485
Share premium (net of issue costs)		165,873	165,873
Other reserves		(24,766)	(21,861)
Accumulated loss		(24,624)	(30,779)
Total equity		**117,968**	**114,718**
Long term liabilities			
Asset retirement obligation		316	325
Deferred tax liabilities		1,224	-
Total long term liabilities		**1,540**	**325**
Current liabilities			
Trade and other payables		3,992	3,869
Total current liabilities		**3,992**	**3,869**
Total equity and liabilities		**123,500**	**118,912**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Interim Cash Flow Statement (Unaudited)
(presented in US$000)

	Six months ended 30 June	
	2014	**2013**
Profit/(loss) for the period before tax	**8,037**	**4,271**
Less adjustments for:		
Exploration and evaluation expenses	-	28
Depreciation, depletion and amortization	2,673	1,408
Other non-cash operating (gains)/losses	-	358
Foreign exchange differences	-	576
Total effect of adjustments	**2,673**	**2,370**
Net cash flow before working capital movements	**10,710**	**6,641**
Working capital changes		
Decrease/(increase) in trade and other receivables	(372)	(404)
Increase/(decrease) in payables	142	(1,507)
Decrease/(increase) in inventory	3	(128)
Increase/(decrease) in other non-current assets	561	-
Net cash from operating activities	**11,044**	**4,602**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,426)	(3,087)
Net cash used in investing activities	**(2,426)**	**(3,087)**
Cash flows from financing activities		
Net change in loans	-	(3,378)
Net cash provided/(used) by financing activities	**-**	**(3,378)**
Effect of exchange rate changes on cash and cash equivalents	61	(363)
Net (decrease)/ increase in cash and cash equivalents	**8,679**	**(2,226)**
Cash and cash equivalents at beginning of the period	8,081	7,049
Cash and cash equivalents at end of the period	**16,760**	**4,823**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Interim Statement of Changes in Equity (Unaudited)
(presented in US$000)

	Share Capital	Share Premium	Other Reserves	Accumulated Loss	Total Equity
Opening equity at 1 January 2013	**1,485**	**165,873**	**(13,619)**	**(39,337)**	**114,402**
Profit for the period	-	-	-	3,364	3,364
Currency translation differences	-	-	(8,421)	-	(8,421)
Closing equity at 30 June 2013	**1,485**	**165,873**	**(22,040)**	**(35,973)**	**109,345**
Opening equity at 1 January 2014	**1,485**	**165,873**	**(21,861)**	**(30,779)**	**114,718**
Profit/(loss) for the period	-	-	-	6,155	9,005
Currency translation differences	-	-	(2,905)		(2,782)
Closing equity at 30 June 2014	**1,485**	**165,873**	**(24,766)**	**(24,624)**	**117,968**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the IFRS Consolidated Interim Financial Statements (Unaudited)
(presented in US$000 unless otherwise stated)

1. General information

Volga Gas plc (hereinafter referred to as "Company" or "Volga") is a public liability company registered in England and Wales with registered number 05886534 and quoted on the AIM market of London Stock Exchange plc. The principal activities of the Company and its subsidiaries (hereinafter jointly referred to as the "Group") are the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Volga Region of the Russian Federation. The Company's registered office is at Ground Floor, 17-19 Rochester Row, London SW1P 1QT. This condensed consolidated interim financial information was approved for issue on [12] September 2014.

2. Basis of presentation

This condensed consolidated interim financial information for the half-year ended 30 June 2014 has been prepared in accordance with 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 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Financial Position and performance of the group since the last annual consolidated financial statements.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the board of directors on 31 March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Going-concern basis The group meets its day-to-day working capital requirements through its cash resources. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

Exchange rates. The official rate of exchange of the Russian ruble to the US dollar ("USD") at 30 June 2014 and 31 December 2013 was 33.631 and 32.729 Russian rubles to USD 1.00, respectively. Any re-measurement of Russian ruble amounts to US dollars or any other currency should not be construed as a representation that such Russian ruble amounts have been, could be, or will in the future be converted into other currencies at these exchange rates.

Taxation. Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Segmental reporting follows the Group's internal reporting structure. The operations of the Group comprise one class of business, being oil and gas exploration, development and production and the Group operates in only one geographic area – the Russian Federation.

3. Accounting policies

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

4. COST OF SALES

Cost of sales is analysed as follows:

Six months ended 30 June	**2014** **US$ 000**	**2013** **US$ 000**
Production expenses	4,963	3,711
Mineral Extraction Taxes	4,802	3,636
Depletion Depreciation and Amortization	2,660	1,386
	12,425	**8,733**

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are analysed as follows:

Six months ended 30 June	2014 US$ 000	2013 US$ 000
Salaries	984	1,005
Taxes other than payroll and MET	46	46
Audit fees	160	207
Legal and Consultancy	471	514
Other	577	618
Total general and administrative expenses	**2,238**	**2,390**

6. OTHER INCOME, NET

	Six months ended 30 June	
	2014 US$ 000	2013 US$ 000
Foreign exchange loss	(561)	(232)
Refund of Mineral Extraction Tax	-	439
Other Income	10	10
Total other net expenses	**(551)**	**217**

7. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
As at 1 January 2013	**103,703**	**9,646**
Additions	3,192	-
Depreciation and amortisation	(1,408)	-
Asset impairment charge	(458)	(28)
Exchange adjustment	(7,475)	(688)
At 30 June 2013	**97,554**	**8,930**

	Property, plant and equipment	Intangible assets
As at 1 January 2014	**98,272**	**6,438**
Additions	2,409	-
Depreciation and amortisation	(2,673)	-
Asset impairment charge	-	-
Exchange adjustment	(2,668)	(173)
At 30 June 2014	**95,340**	**6,265**

8. CONTINGENCIES AND COMMITMENTS

The Group has fulfilled all exploration commitments on existing licences.

9. RELATED PARTY TRANSACTIONS

The Group is controlled by Baring Vostok Private Equity Fund III and Baring Vostok Private Equity Fund IV, which own 58.66% of the Company's shares as at 30 June 2014. Baring Vostok Private Equity Funds III and IV perform their control through nominee holding companies. The remaining 41.34% of the shares are widely held.

Related party transactions are disclosed in Note 23 to the accounts for the year ended 31 December 2013. There were no material related party transactions in the six months to 30 June 2014.

10. POST BALANCE SHEET EVENTS

Effective 2 July 2014 the Company completed its capital reduction. As of that date the share premium account was cancelled in its entirety and the equivalent sum credited to the Profit and Loss Account, thereby creating distributable reserves.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Volga Gas plc are listed in the Volga Gas plc Annual Report for 31 December 2013.

By order of the Board

Mikhail Ivanov
Chief Executive Officer
12 September 2014

Tony Alves
Chief Financial Officer
12 September 2014