



PetroNeft
Resources plc

Interim Results
30th September 2021



PetroNeft Resources plc

Half-year consolidated results for the six months ended to 30 June 2021

30 September 2021

PetroNeft Resources plc (further referred to as the “**Company**” and together with its subsidiaries and joint venture , the “**Group**”, AIM: PTR) an oil & gas exploration and production company, operating in the Tomsk Oblast, Russian Federation, and 90% owner and operator of Licence 67 and 50% owner and operator of Licence 61 is pleased to announce its unaudited financial and operating results for the half-year period ended 30th June 2021 (“**H1 2021**” or the “**Period**”).

David Sturt – Chief Executive Officer commented,

“Following the considerable challenges faced by the Company in 2020, I am very pleased to report significant progress during the first half of 2021; production has increased, strict cost control has been maintained, operating cash flows have been significantly increased and the capital structure of the Group has been improved.

It is particularly pleasing to see such an immediate impact from Licence 67 where we increased our interest during the reporting period. This asset has been operationally profitable during the period, especially during Q2 once the C-4 well had been opened up. We see significant potential for growth in this asset due to the large number of additional drilling locations with very low OPEX costs and reduced tax rate.

Thanks largely to the technical progress made by our Tomsk team over the last two years, the outlook for the company has been transformed. A decline in production was first arrested and now reversed. Our corporate strategy has moved on from asset divestment to asset enhancement. While there is much more to be done, we are now in a position where the Company is moving forward with strength and confidence. We have also brought Licence 67 on stream and have increased our share in this asset. It is now realistic to view this as a growing business. As society opens again, I relish the prospect of more contact with our shareholders and further informing them of our progress.”

Year to date highlights

Strategic

- Strategic focus on building a financially sustainable company to drive value creation through organic growth.
- Increased the ownership interest in Licence 67 to 90% by completing the acquisition of an additional 40% interest in Licence 67 on 5th March 2021.
- Established year-round production from Cheremshanskoye field (Licence 67).
- Refreshed and strengthened the board, Alastair McBain, former CEO of Arawak Energy and currently a significant shareholder of the Company, became Non-Executive Chairman 29th January 2021,
- Successfully raised \$4.6M through issuance of convertible loans with \$1.7M used for the acquisition of Licence 67.

- Substantial debt retired under three historic loan agreements, with loan principal amounts declining from \$5.9M to \$3.044M and then further reduced after the reporting period to \$2.379M. The conversion pricings, when agreed under the respective agreements, were at a significant premium to the then market share price.
- Significant improvement in operating cash flows at both Licence 67 and Licence 61, covering investment activities including the Licence 61 fracking program and all-season road at the Cheremshanskoye field.
- Independent reserves report commissioned (Miller and Lents), nearing completion.

Operations

- Gross production increased 25.1% rising to 1,967 bopd (H1 2020: 1,573 bopd) and 41.5% quarter over quarter during the first 6 months of 2021, and to Q2 2,091 bopd from (Q2 2020: 1,476 bopd)

Gross Production per L61 and L67	H1 2021	H1 2020	Q2 2021	Q2 2020
Total Production (bopd)	1,967	1,573	2,091	1,476
Net to PetroNeft Resources plc	1,065	790	1,166	739

Licence 61	H1 2021	H1 2020	Q2 2021	Q2 2020
Total gross production	319,511	285,020	162,936	133,496
Gross bopd	1,765	1,566	1,791	1,467
Net to PetroNeft Resources plc 50% share bopd	883	787	896	739

Licence 67	H1 2021	H1 2020	Q2 2021	Q2 2020
Total gross production	36,586	1,200	27,307	0
Gross bopd	202	7	300	0
Net to PetroNeft Resources plc 90% share bopd from Q1 2021 (2020: 50%)	182	3	270	0

- Stable production performance at the new Cheremshanskoye field, in production since February 2021 and currently > 300 bopd natural flow with no appreciable decline.
- Highly successful fracking campaign at Licence 61 (wells' S-373 & L-115), production at both wells significantly exceeding expectations
- Stable production performance from legacy fields at Licence 61.
- Mini Oil Processing unit operational under test regime producing sufficient diesel to meet all the Group's internal needs and to supply excess volumes to the local market, thereby reducing costs and providing a valuable additional revenue stream.

Financial performance of Licences

Licence 61 (100% basis)	Units	H1 2021	H1 2020	Q2 2021	Q2 2020
Revenue	\$'000	14,412	8,043	7,954	2,709
Cost of Sales	\$'000	(14,356)	(8,987)	(7,384)	(3,598)
Gross Profit	\$'000	56	(944)	570	(889)
Administrative Expenses	\$'000	(1,623)	(1,533)	(805)	(759)
Operating Profit / (Loss)	\$'000	(1,567)	(2,496)	(235)	(1,648)
Average realized price	\$/bbl	44.3	27.2	47.3	19.3
Cash operating costs*	\$/bbl	15.6	16.0	14.0	13.8

Licence 67 (100% basis)	Units	H1 2021	H1 2020	Q2 2021	Q2 2020
Revenue	\$'000	1,629	-	1,305	-
Cost of Sales	\$'000	(1,287)	-	(928)	-
Gross Profit	\$'000	342	-	342	-
Administrative Expenses	\$'000	(171)	(0.2)	(136)	-
Operating Profit / (Loss)	\$'000	171	(0.2)	206	-
Average realized price	\$/bbl	44.5	35.8	47.7	n/a
Cash operating costs*	\$/bbl	8.5	162.2	5.7	n/a

Group Financial Results

- Consolidated revenue \$2.5M (H1 2020: \$1M), for the first time including Crude oil revenues of \$1.6M following the consolidation of Russian BD Holdings B.V. (Licence 67) in March 2021. These sales show a subsequent month over month increase through to the end of June 2021.
- Consolidated gross profit: \$0.647M (H1 2020: \$0.192M) and an improved Gross margin driven by a strong performance in Russian BD Holdings BV's operations.
- Consolidated loss for the period - \$2.2M (H1 2020: \$2.7M), a significant improvement in bottom line reported results in a very busy corporate activity period for the Company. The reported results include one off accounting adjustments both for the extra 40% acquisition and the convertible debt retirement programs. Excluding these adjustments consolidated earnings for the interim period were \$2.0M (H1 2020: \$2.7), which demonstrates continued operational improvements across all subsidiaries and the Licence 61 joint venture.
- Consolidated cash balance: \$1.1M (31 December 2020: \$0.1M). Improvements in cash generation from existing operations and funding through the convertible debt program.
- Gross Debt: \$7.76M (31 December 2020: \$4.15M). During the Period, the Group raised \$4.6M from convertible loans issuances and then reduced the debt by retiring \$2.9M of the convertible loans through the issuance of shares.

* Cash operating costs - non-IFRS measure representing operating costs of each operating asset on a stand-alone basis, excluding holdings' overheads, Minerals Extraction Tax, depreciation, depletion and amortization and other non-EBITDA items.

Outlook

- Evaluating options to develop the significant portfolio of low-risk appraisal/development opportunities including the Cheremshanskoye and Ledovoye fields in Licence 67 and the Northern Hub (Sibkrayevskoye and, West Lineynoye fields and Emtorskaya structure) in Licence 61
- Further production enhancement operations being planned to include: an expanded fracking campaign, further waterflood optimization, and re-working Tungolskoye wells to try to re-establish commercial production.
- Growing confidence in the fundamentals of the industry whilst operating within a supportive regulatory and fiscal regime.

PetroNeft Resources plc

**Unaudited interim condensed
consolidated financial statements**

for the 6 months ended 30 June 2021

PetroNeft Resources plc

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Forward Looking Statements

This report contains forward-looking statements. These statements relate to the Group's prospects, developments, and business strategies. Forward-looking statements are identified by their use of terms and phrases such as 'believe', 'could', 'envisage', 'potential', 'estimate', 'expect', 'may', 'will' or the negative of those, variations, or comparable expressions, including references to assumptions.

The forward-looking statements in this report are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. These forward-looking statements speak only as at the date of these financial statements.

PetroNeft Resources plc

Group Information

Directors

Alastair McBain (British citizen- appointed 29 January 2021)
(Non-Executive Chairman)
David Golder (U.S. citizen - *retired 19 February 2021*)
(Former Non-Executive Chairman)
David Sturt (British citizen)
(Executive Director & Chief Executive Officer)
Pavel Tetyakov (Russian citizen)
(Executive Director & Senior Vice President Business Development)
Anthony Sacca (Australian citizen)
(Independent Non-Executive Director)
Daria Shaftelskaya (Russian citizen)
(Non-Executive Director)

Registered Office and Business Address

20 Holles Street
Dublin 2
Ireland

Secretary

Michael Power

Auditor

BDO
Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

Nominated Adviser, Euronext Growth Market Adviser, and Broker

Davy
49 Dawson Street
Dublin 2
Ireland

PetroNeft Resources plc

Group Information (*continued*)

Principal Bankers

KBC Bank Ireland

Sandwith Street
Dublin 2
Ireland

AIB Bank

1 Lower Baggot Street
Dublin 2
Ireland

Solicitors

Byrne Wallace

88 Harcourt Street
Dublin 2
Ireland

Registered Number

408101

Registrar

Computershare

Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

Chairman's Statement

The world is emerging and appearing to recover from the worst effects of the pandemic. A consequence of this is an uptick in overall economic activity and therefore an increase in demand for energy, including oil. The world oil supply overhang is much diminished and the ability of the industry to meet future demand, given the wide reductions in exploration budgets, must be a matter of medium-term concern.

As a Company we continue to remain focused on improvements in operational performance aimed at increasing our production, revenue, and reserves. The steps the Company took to increase technical focus back in 2019, combined with the emphasis on rigorous cost control and thoughtful allocation of capital, has positioned the Company to evolve and to become more financially robust and economically stable. We will continue to focus on improving our understanding of our assets through an emphasis on technical excellence, further improving operational performance metrics, to prove up the potential value of PetroNeft Resources plc for its shareholders. At the same time, we seek to attain high standards for corporate governance and social impact.

Strategy

Our strategy is to continue to leverage our experienced Russian team in Tomsk to optimise the development of the Company's considerable asset base. This, combined with a low cost/low risk appraisal and an appraisal led exploration program is aimed at increasing production, cash flow and profits while further building the reserve base, delivering enhancements in both the near and medium term to shareholder value.

As the Company's performance has improved over the last two years, our focus has changed from asset divestment to a drive to increase production, cash flow and reserves. We have faith in our assets and believe through this process we will continue to build value for shareholders in both the near and medium term.

As reported previously, the Company has a considerable portfolio of valuable organic growth opportunities, and the Company will primarily be focused on development of this portfolio. This includes the northern hub (Sibkrayevskoye and West Lineynoye fields and Emtorskaya structure) in Licence 61 and the Cheremshanskoye and Ledovoye fields in Licence 67. We expect these core assets to be our main focus although we do not exclude additional opportunities.

The Company is acutely aware of its obligations to society, and will ensure that operations are carried safely, reliably, and efficiently with minimal disruption to the environment. We will also be working on increasing the sustainability of the Group's operations as a core element of its strategy and will be updating shareholders as plans develop.

Operational Overview

The Company's reported share of production achieved a material 34.7% increase, producing 1,065 bopd H1 2021 (H1 2020 790 bopd), net to PetroNeft Resources plc. Production continued to build through the reporting period to a net production rate of approximately 1,218 bopd in June 2021.

Licence 67

At Licence 67 a major milestone was reached during the Period as the asset transitioned from being an exploration to a cash flow generating producing asset. In total, 36,586 bbls (2020: 1,200 bbls) of gross oil were produced and sold at the well head at competitive market rates of approximately \$44.5/bbl (2020: \$35.8/bbl) without transportation tariffs. As reported earlier, the oil produced from the Cheremshanskoye field qualified for an average 15% reduction in the Mineral Extraction Tax.

We see significant potential in Licence 67 and in particular the Cheremshanskoye field, where production from the C-4 well is very stable, still producing under natural flow at just over 300 bopd, without showing any sign of appreciable decline. We will be providing updates over the coming months on plans to capture the value of this potential. In the near future the Company plans to announce the awarding of contracts for the construction of a drilling pad and are evaluating all options to enable funding for the field's development plan.

Licence 61

Gross production at Licence 61 during the Period averaged 1,765 bopd, which represents an increase of 12.7% year-to-year from the same period in 2020 (1,566 bopd). This increase is due to two main events. Firstly, in 2020 the Company made the decision to shut in some of its production during part of April due to the severe drop in the price of oil when the West Texas benchmark oil price went negative. The second reason for the increase was the significant success of fracking two wells. This past winter, the

PetroNeft Resources plc

Chairman's Statement (continued)

Company successfully fracked the S-373 well at the Sibkrayevskoye field and the L-115 well at the Lineynoye field. Both wells continue to exceed pre-frac expectations. As a result, the Company intends to carry out an expanded fracking program during this coming winter. In addition, the Company plans to re-enter wells at Tungolskoye to try and re-establish commercial production.

Management continues to look for ways to optimize production and reduce operating costs. The Mini Oil Processing unit installed last year has been producing diesel under test regime and so far, has generated sufficient diesel to meet all the Group's internal needs, as well as producing additional product to supply local contractors, thereby reducing costs, and providing a valuable additional revenue stream.

The Group achieved an average realized oil price for the Period of \$44.3/bbl (H1 2020: \$27.2/bbl). The improved oil price and production levels led to much improved operating cash flows.

Licence 61 Gross Production	H1 2021	H1 2020	Q2 2021	Q2 2020
Total gross production	319,511	285,020	162,936	133,496
Gross bopd	1,765	1,566	1,791	1,467
Net to PetroNeft Resources plc 50% share bopd	883	787	896	739

Licence 67 Gross Production	H1 2021	H1 2020	Q2 2021	Q2 2020
Total gross production	36,586	1,200	27,307	0
Gross bopd	202	7	300	0
Net to PetroNeft Resources plc 90% share bopd from Q1 2021 (2020: 50%)	182	3	270	0

Capital Structure

Despite the challenging market conditions, the Company has been able to improve its financial position through the following successful re-structuring:

- The Petrogrand AB loan redemption date was extended from 15th December 2020 to 15th December 2021. The redemption date can also now be extended at the Group's option, provided the Group make a repayment of 20% of the loan on or before 15th December 2021. In such circumstances the final redemption date would be the earliest of (a) 15th December 2022 or (b) the date of completion of the Licence 61 sale or (c) the date of completion of Licence 67 sale.
- Successfully raised a total of \$4.6M in February 2021. This comprised a \$2.9M convertible loan from a group of 13 lenders made up of new and existing investors, Directors, and senior management. In addition, a further \$1.7M was raised as a second convertible loan with the proceeds being used to purchase the additional 40% of Licence 67.
- Following the successful completion of the C4 extended well test at the Cheremshanskoye field on Licence 67 in spring 2020, the Group funded the cost of constructing an all-season road to connect the C4 well with the local year-round road network. The construction of the road, which was internally funded, enabled year-round production from late spring 2021. This all-season new road will reduce operational expenses and complexity. It will also give us additional options for the development of the Licence. It may also be able to service future producing wells in the license area in the event of successful drilling.

The Company has been very pleased by the support and confidence shown by the participants in these capital raises and subsequent debt retirement through conversion, especially as they were all carried out at a premium to the prevailing share price

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Chairman's Statement (*continued*)

when the agreements were signed. The Company was particularly pleased when this confidence was further demonstrated by the retirement of \$3.515M of the convertible debt through September 2021.

Business Development

At the end of 2020 the Company entered negotiations with Sarum Energy Limited, the ultimate beneficial holder of 50% holding in Licence 67, through its subsidiary Belgrave Naftogas B.V. to acquire an additional 40% interest in Licence 67. The acquisition was closed early 2021. The Company is particularly pleased with this acquisition as it is cash flow accretive and has considerable development, appraisal, and exploration potential.

Whilst the Company's core strategy is to focus on delivering value through development of our considerable stable of assets, it continues to evaluate new business opportunities. This is something which would have been unthinkable just two years previously.

Board Changes

I was very pleased to have been elected to the Board on the 29th of January as Non-Executive Director and on David Golder's retirement was elected to the position of Non-Executive Chairman. As a new Director of the Company, I look forward to working with the Board and management in what I believe is an exciting opportunity.

Review of PetroNeft Resources plc Income Statement for the Period

The loss for the Period was \$2.22M (H1 2020: US2.72M).

Administrative expenses remain in line with targets and prior periods as adjusted for one off expense relating to legal fees on the Euroclear Securities migration of \$0.05M and costs associated with the acquisition of additional 40% holding in Russian BD Holdings B.V. of \$0.07M. After adjusting for these one of items, administrative expenses for the period were \$0.52M (H1 2020: \$0.4M). This is in line with a significant increase in activity and production.

The loss includes PetroNeft's 50% share of the losses on the joint ventures relating to Licences 61 of \$2.5M (H1 2020: \$3.4M) and Licence 67 for the 2-month period ending 28 February 2021 of \$0.13M (H1 2020: \$0.34M). From 1 March 2021 the results of Licence 67 are fully consolidated with PetroNeft's Group accounts, and in the 4-month period ending 30 June Russian BD Holdings B.V. reported losses of \$0.025M. The loss relating to the Licence 61 joint venture is analysed in more detail on page 8 of this interim report.

The impairment of exploration and evaluation assets arose on the first-time consolidation of Russian BD Holdings B.V.

Finance revenue of \$1.45M (H1 2020: \$1.97M) relates primarily to interest receivable on loans to the joint ventures.

The unrealised gain on business combination arose on the first-time consolidation of Russian BD Holdings B.V. See note 8 to these interim financial statements

For the six-month period ending 30 June 2021, a total of \$2.85M of Convertible debt was retired by the issuance of equity instruments. The difference between the face value and the market value of those equity instruments at the effective date of issuance is charged to profit and loss.

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Chairman's Statement (*continued*)

Group's Key Financial Metrics

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000	Year ended 31 December 2020 \$'000
Continuing operations			
Revenue	2,498	1,021	1,696
Cost of sales	(1,851)	(829)	(1,441)
Gross profit	647	192	255
Administrative expenses	(653)	(403)	(1,035)
Operating loss	(6)	(211)	(780)
Share of joint venture's net loss – WorldAce Investments Limited	(2,545)	(3,411)	(5,737)
Share of joint venture's net loss – Russian BD Holdings B.V.	(126)	(344)	(705)
Impairment of exploration and evaluation assets	(2,507)	-	-
Finance revenue	1,455	1,970	3,584
Finance costs	(343)	(216)	(432)
Unrealised gain on business combination	3,433	-	-
Profit/(Loss) on equity settlement of financial liabilities	(1,137)	-	206
Profit on modification of financial liabilities	-	-	219
Loss for the period for continuing operations before taxation	(1,777)	(2,212)	(3,645)
Income tax expense	(440)	(511)	(895)
Loss for the period	(2,218)	(2,720)	(4,542)

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Chairman's Statement (*continued*)

Licence 61 joint venture – WorldAce Investments Limited

The metrics below are an extraction from the consolidated financial statements of the WorldAce Investments Limited ("WorldAce") which demonstrate the performance of Licence 61:

	<i>Unaudited</i>		<i>Audited</i>
	WorldAce Group 6 months ended 30 June 2021 \$'000	WorldAce Group 6 months ended 30 June 2020 \$'000	WorldAce Group Year ended 31 December 2020 \$'000
Continuing operations			
Revenue	14,412	8,043	16,720
Cost of sales	(14,356)	(8,987)	(17,466)
Gross profit	56	(944)	(746)
Administrative expenses	(1,623)	(1,553)	(2,516)
Operating loss	(1,567)	(2,496)	(3,262)
Loss on disposal of oil and gas properties	-	-	-
Write-off of exploration and evaluation assets	-	-	-
Finance revenue	38	24	36
Finance costs	(3,561)	(4,349)	(7,986)
Loss for the period for continuing operations before taxation	(5,090)	(6,821)	(11,212)
Income tax	-	-	263
Loss for the period for continuing operations before taxation	(5,090)	(6,821)	(11,474)
PetroNeft's 50% share	(2,545)	(3,411)	(5,737)

WorldAce Analysis

	<i>Unaudited</i>		<i>Audited</i>
	WorldAce Group 6 months ended 30 June 2021 \$'000	WorldAce Group 6 months ended 30 June 2020 \$'000	WorldAce Group Year ended 31 December 2020 \$'000
Revenue			
Oil sales	14,354	8,043	16,580
Other sales	58	(0)	140
Total revenue	14,412	8,043	16,720
PetroNeft's 50% share	7,206	4,022	8,360
Cost of Sales			
Mineral Extraction Tax	9,447	4,366	9,075
Pipeline tariff	1,459	1,186	2,518
Staff costs	824	895	1,602
Depreciation and amortisation	740	704	1,319
Other cost of sales	1,886	1,836	2,951
Total cost of sales	14,356	8,987	17,466
PetroNeft's 50% share	7,178	4,494	8,733

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Chairman's Statement (*continued*)

The detailed Income Statement and Balance Sheet of WorldAce Investments Limited is disclosed at note 16 to these condensed financial statements

The detailed Income Statement and Balance Sheet of Russian BD Holdings B.V is disclosed at note 15 to these condensed and for the reporting period under consideration, the interim period ending 30 June 2021, the Income Statement is analysed as to the 2 month period ending 28 February 2021 when the entity was reported as a Joint Venture and accounted for under the equity accounting method , and from 1 March 2021 the entity is fully consolidated under the acquisition method of accounting.

Outlook

As the world economy recovers from the effects of the Covid pandemic, the Group is benefiting from the combined effects of a higher oil price environment as well as the continued operational achievements. These operational achievements have led to increasing production volumes through the reporting period.

On License 67 the Company is particularly looking forward to the development of Cheremshanskoye field as well as further appraisal of the Ledovoye field. Whilst the results from the Cheremshanskoye field have been very encouraging, the Company sees significant further scope for growth. As well as looking to expedite the forward development of the Upper Jurassic reservoirs, the Group will also be focused on realizing the potential of the deeper Lower Jurassic resource. The technical team in Tomsk has identified significant potential in these deeper levels which the Group believe has been somewhat overlooked in the past.

At License 61 the Northern Hub looks increasingly attractive as a highly value accretive proposition. The Group are currently looking at ways to develop the Sibkrayevskoye and West Lineynoye fields as well as the significant Emtorskaya appraisal opportunity.

Operational results in both assets through 2021 to date have been very encouraging and provide further confidence in the potential of the Company's assets to drive forward shareholder value. It is also pleasing to see that this improvement in the Group's operational performance is reflected in an improving share price. Whilst this movement is very positive, the Group believes there is significant further scope, and the Company is committed to narrowing the gap between the share price and the long-term value of the Company's assets and reserves.

Summary

Despite the considerable challenges through 2020, through the support of all our stakeholders and dedication of our team in Tomsk, the Group have not only survived but are now able to look forward to the future with increasing optimism. This optimism is already being realised by notable successes across our portfolio during the reporting period.

As well as the improvements within the Group, we are seeing a global improvement our industry through 2021 to date. This combination enables the Group to look forward to the future with increasing optimism and belief in the ability to grow the value of the Group.

Finally, I know that I speak for all the Directors, management, and staff of the Group in giving sincere thanks to our shareholders for your continued support throughout six months.

Alastair McBain

Non-Executive Chairman

PetroNeft Resources plc

Interim Condensed Consolidated Income Statement For the 6 months ended 30 June 2021

	Note	Unaudited		Audited
		6 months ended 30 June 2021 \$	6 months ended 30 June 2020 \$	Year ended 31 December 2020 \$
<i>Continuing operations</i>				
Revenue	5	2,497,804	1,020,871	1,695,524
Cost of sales		(1,851,376)	(828,556)	1,440,560
Gross profit		646,428	192,315	254,964
Administrative expenses		(653,256)	(402,929)	1,035,040
Operating loss		(6,828)	(210,614)	(780,076)
Share of joint venture's net loss – Russian BD Holdings B.V.	15	(126,030)	(342,869)	(705,249)
Share of joint venture's net loss – WorldAce Investment Limited.	16	(2,545,198)	(3,410,682)	(5,737,042)
Impairment of exploration and evaluation assets	12	(2,507,117)		
Finance revenue	6	1,454,545	1,970,358	3,583,166
Finance costs	7	(343,010)	(215,672)	(432,362)
Unrealised gain on business combination	8	3,432,730		
Profit /(loss) on equity settlement of financial liabilities		(1,137,257)	-	206,044
Profit on modification of financial liabilities		-	-	218,898
Loss for the period for continuing operations before taxation		(1,778,165)	(2,209,479)	(3,646,621)
Income tax expense	9	(439,834)	(510,991)	(895,240)
Loss for the period		(2,217,999)	(2,720,470)	(4,541,861)
Profit /(loss) for the period attributable to:				
Owners of the Parent		(2,213,062)	(2,720,470)	(4,541,861)
Non-Controlling Interest		(4,937)	-	-
		(2,217,999)	(2,720,470)	(4,541,861)
Loss per share attributable to ordinary equity holders of the Parent				
Basic and diluted - <i>US dollar cent</i>		(0.24)	(0.33)	(0.55)

PetroNeft Resources plc

Interim Condensed Consolidated Statement of Other Comprehensive Income

For the 6 months ended 30 June 2021

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
	\$	\$	\$
Loss for the period	(2,217,999)	(2,720,470)	(4,541,861)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustments - subsidiaries	4,622,728	(59,032)	68,348
Share of joint ventures' other comprehensive income - foreign exchange translation differences	675,954	(5,401,254)	(7,579,354)
Total comprehensive loss for the period	3,080,683	(8,180,755)	(12,052,867)
Total Comprehensive Income attributable to:			
Owners of the Parent	3,026,002	(8,180,755)	(12,052,867)
Non-Controlling Interest	54,681	-	-
	3,080,683	(8,180,755)	(12,052,867)

PetroNeft Resources plc

Interim Condensed Consolidated Balance Sheet As at 30 June 2021

		<i>Unaudited</i>	<i>Audited</i>
		30 June 2021	31 December 2020
		\$	\$
Assets	Note		
Non-current Assets			
Oil and Gas Properties	10	2,538,260	-
Property, plant, and equipment	11	105,592	4,682
Exploration and Evaluation Assets	12	11,339,062	-
Assets under Construction	13	1,151,419	-
Intangible Assets	14	3,855,958	-
Equity-accounted investment in joint ventures – Russian BD Holdings B.V.	15	-	-
Equity-accounted investment in joint ventures – WorldAce Investments Limited	16	-	-
Financial assets - loans and receivables	17	23,060,541	27,340,710
		42,050,832	27,345,392
Current Assets			
Inventories	18	130,154	19,387
Trade and other receivables	19	2,533,330	2,528,931
Cash and cash equivalents	20	1,134,962	101,028
		3,798,446	2,649,346
Total Assets		45,849,278	29,994,738
Equity and Liabilities			
Capital and Reserves			
Called up share capital	21	13,350,373	10,896,668
Share premium account		146,618,148	141,794,897
Share-based payments reserve		6,796,540	6,796,540
Retained loss		(103,800,630)	(101,587,568)
Currency translation reserve		(34,312,023)	(39,551,087)
Other reserves		437,690	379,923
Equity attributable to equity holders of the Parent		29,090,098	18,729,373
Non-Controlling Interest	22	779,681	-
Total Equity		29,869,779	18,729,373
Non-current Liabilities			
Interest-bearing loans and borrowings	23	4,323,344	-
Deferred tax liability		5,596,830	5,199,522
		9,920,174	5,199,522
Current Liabilities			
Interest-bearing loans and borrowings	23	3,293,242	4,151,391
Trade and other payables	24	2,766,083	1,914,452
		6,059,325	6,065,843
Total Liabilities		15,979,499	11,265,365
Total Equity and Liabilities		45,849,278	29,994,738

PetroNeft Resources plc

Interim Condensed Consolidated Statement of Changes in Equity For the 6 months ended 30 June 2021

	Called up share capital \$	Share premium account \$	Share-based payment and other reserves \$	Currency translation reserve \$	Retained loss \$	Total to Equity holders of Parent \$
At 1 January 2020	9,585,965	141,006,709	7,176,463	(32,040,081)	(97,045,707)	28,683,349
Loss for the year	-	-	-	-	(4,541,861)	(4,541,861)
Currency translation adjustments - subsidiaries	-	-	-	68,348	-	68,348
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	(7,579,354)	-	(7,579,354)
Total comprehensive profit for the year	-	-	-	(7,511,006)	(4,541,861)	(12,052,867)
New Share Capital subscribed	1,310,703	788,188	-	-	-	2,098,891
At 31 December 2020	10,896,668	141,794,897	7,176,463	(39,551,087)	(101,587,568)	18,729,373
At 1 January 2021	10,896,668	141,794,897	7,176,463	(39,551,087)	(101,587,568)	18,729,373
Loss for the period	-	-	-	-	(2,217,999)	(2,217,999)
Currency translation adjustments - subsidiaries	-	-	-	4,622,728	-	4,622,728
Convertible share option reserve	-	-	57,767	-	-	57,767
Non-Controlling Interest	-	-	-	(59,618)	4,937	(54,681)
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	675,954	-	675,954
Total comprehensive loss for the period	-	-	-	5,239,064	(2,213,062)	3,083,769
New share capital subscribed	2,453,705	4,823,251	-	-	-	7,276,956
At 30 June 2021	13,350,373	146,618,148	7,234,230	(34,312,023)	(103,800,630)	29,090,098

PetroNeft Resources plc

Interim Condensed Consolidated Cash Flow Statement

For the 6 months ended 30 June 2021

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
	\$	\$	\$
Operating activities			
Loss before taxation	(1,778,165)	(2,209,479)	(3,646,621)
Adjust to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation	35,633	14,016	21,671
Share of loss in joint ventures	2,671,228	3,753,731	6,442,296
Foreign Exchange Gains	7,213	(18,338)	146,580
Share based payment	-	-	731,268
Impairment of Exploration and Evaluation assets	2,507,117		
Loss/(Profit) on equity settlement of financial liabilities	1,137,257	-	(206,044)
Profit on modification of financial liabilities	-	-	(218,898)
Finance revenue	6 (1,454,545)	(1,970,358)	(3,583,166)
Finance costs	7 343,010	215,672	432,362
Unrealised gain on business combination	(3,432,730)		
Income tax expense	439,834	-	503
Working capital adjustments			
Decrease/ (Increase) in trade and other receivables	102,063	(268,309)	(1,415,494)
Decrease/(Increase) in inventories	(3,266)	(7,856)	(3,741)
Increase/(Decrease) in trade and other payables	(1,031,570)	(748,529)	42,671
Income tax paid	(42,526)	-	-
Net cash flows used in operating activities	(499,447)	(1,239,450)	(1,256,613)
Investing activities			
Acquisition of Subsidiary net of Cash Acquired	18,893	-	-
Purchase of oil and gas properties	(90,239)	-	4,980
Purchase of Property, Plant & Equipment	(101,671)	-	-
Purchase of Exploration and evaluation assets	(451,920)		
Loan facilities advanced to joint venture undertakings	-	(912,367)	(277,095)
Interest received	1,009	113	194
Net cash (used in)/received from investing activities	(623,928)	(912,254)	(271,921)
Financing activities			
Proceeds from the issue of Share Capital	-	2,321,413	1,573,667
Proceeds from the issue of Convertible debt option	2,245,000	-	-
Repayment of interest on loan facilities	(87,942)	-	(277,746)
Proceeds from loan facilities	-	-	-
Net cash received from financing activities	2,157,058	2,321,413	1,295,921
Net increase/(decrease) in cash and cash equivalents	1,033,683	169,709	(232,613)
Translation adjustment	251	(2,720)	(11,891)
Cash and cash equivalents at the beginning of the period	101,028	345,532	345,532
Cash and cash equivalents at the end of the period	20 1,134,962	512,521	101,028

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 29 September 2021.

PetroNeft Resources plc ('PetroNeft', 'the Company', or together with its subsidiaries and joint venture, 'the Group') is a public limited company incorporated in the Republic of Ireland with a company registration number 408101. The Company is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange and the Enterprise Securities Market ('ESM') of the Irish Stock Exchange. The address of the registered office and the business address in Ireland is 20 Holles Street, Dublin 2. The Company is domiciled in the Republic of Ireland.

The principal activities of the Group are oil and gas exploration, development, and production.

2. Going Concern

As described in the Chairman's Statement on page 5, PetroNeft agreed an extension of the loan facility, which was due to mature on 15 December 2020 with Swedish company Petrogrand AB, a related party. The revised loan maturity date is 15 December 2021 and maybe extended for a further year if certain milestones are met, at the option of PetroNeft. The loan is secured by way of a floating charge on the assets of PetroNeft.

In February 2021, the Company agreed another loan facility with a group of 13 investors for \$2.9M. This loan matures on 11 March 2023, or such later date as may be agreed. A portion (up to 75% of the principal) may be repaid via conversion to Ordinary shares of the Company at the option of the lenders at a conversion price of STG0.02 per share in the period during the first 12 months of issuing the drawdown notice and STG0.025p, for the period between first and second anniversary of the drawdown notice.

Eight of the lenders have elected to convert their loan into Ordinary Shares of the Company, retiring \$1.81M of Convertible debt.

Seven of the thirteen investors are related parties.

The money raised has primarily been used to fund the 2021 capital investment program and meet ongoing operational cost. It demonstrated significant commitment from the largest Shareholders, Directors, and senior Management.

The Group continuously monitors the ongoing progress and status of the Covid pandemic to ensure it reacts quickly where required. As part of this process the frequency of Board meetings has increased and Board members are closely involved in material cost and investment decisions as well as regular review of the Group's forecast cashflows, short term liquidity and expenditure plans

The Group has analysed its cash flow requirements through to 30th September 2022 in detail. The cash flows are highly dependent on the successful extension or re-financing of the Petrogrand AB loan, and on future production rates and oil prices achieved in its joint-venture undertaking, WorldAce Investments Limited and future cash flows from LLC LIneynoye (Licence 67) once Cheremshanskoye is producing at material levels. In addition, the Group, together with its Joint Venture partner OIL India B.V is actively investigating the opportunity to secure debt in the local Russian market for Stimul-T. Should the Petrogrand AB loan not be extended or re-financed the Group will need additional funding to continue as a going concern.

The Group has put in place cost saving measures and the Board and management have agreed to reduce and defer significant portions of their remuneration.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

2. Going concern (continued)

Given the remarkable rebound in oil prices, and Management demonstrating their capacity to maintain and increase production through efficient capital allocation programs, plus the real probability that Licence 67 will become an oil generating asset in 2021, the Board and Management are confident in the underlying investment case supporting both Licences. The Board and Management while rolling out their strategic plan for the operations will continue to realise the latent potential of both the Licences. Proving up reserves, boosting production, maintaining efficient programs on opex and capital spend, drives through enhanced valuation, improved cashflows and future sustainability.

None the less, the above circumstances represent material uncertainties that may cast significant doubt upon the Group and the Company's ability to continue as a going concern. Nevertheless, after making enquiries, and considering the uncertainties described above, the Directors are confident that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. The judgement is supported by

- the strong reserve inventory and improvements in operational performance
- the existing infrastructure in place that can support production volumes up to 14,700 bopd
- a very strong investment case
- the continued support of our Joint Venture and oil marketing partners
- the continuous support of our principal shareholders, as evidenced by their support for both debt and equity issues
- the continuous support of our lenders, both convertible and conventional debt

For these reasons, the Group continues to adopt the going concern basis in preparing the annual report and the interim accounts.

Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Company were unable to continue as a going concern

3. Accounting Policies

3.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the 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 2020 which are available on the Group's website – www.petroneft.com.

The interim condensed consolidated financial statements are presented in US dollars ("\$").

3.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

4. Segment information

At present the Group has one operating segment, which is oil exploration and production.

The risk and returns of the Group's operations are primarily determined by the nature of the activities that the Group engages in, rather than the geographical location of these operations. This is reflected by the Group's organisational structure and the Group's internal financial reporting systems.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

4. Segment information(continued)

Management monitors and evaluates the operating results for the purpose of making decisions consistently with how it determines operating profit or loss in the consolidated financial statements.

Geographical segments

Although the joint venture undertaking WorldAce Investments Limited is domiciled in Cyprus and the principal subsidiary Russian BD Holdings B.V. is domiciled in the Netherlands, the underlying businesses and assets are in Russia. Substantially all the Group's sales and capital expenditures are in Russia.

5. Revenue

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
	\$	\$	\$
Revenue			
Crude Oil Sales	1,601,191	-	-
Management Services	338,106	514,873	895,590
Construction Services	558,507	505,998	799,934
	<u>2,497,804</u>	<u>1,020,871</u>	<u>1,695,524</u>

6. Finance revenue

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
	\$	\$	\$
Bank interest receivable	1,009	113	194
Interest receivable on loans to Joint Ventures	1,453,536	1,970,245	3,582,972
Profit on reassignment of Loan (Note 15)	6,921,346	-	-
Loss Allowance (Note 15)	(6,921,346)	-	-
	<u>1,454,545</u>	<u>1,970,358</u>	<u>3,583,166</u>

In accordance with IFRS 3 Business Combinations, at time of consolidation, the assets, and liabilities of the acquiree, for the purposes of consolidation are marked to fair value. Accordingly, a loss allowance was created against the assignment of Belgrave Naftogas B.V. Loan receivable from Russian BD Holdings B.V. to PetroNeft Resources plc

Both the loan assignment and loss allowance occurred at the time of closing the transaction when PetroNeft Resources plc increased its shareholding from 50% to 90% in Russian BD Holding B.V.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

7. Finance costs	Unaudited		Audited
	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
	\$	\$	\$
Interest on loans	343,010	215,672	432,362
	343,010	215,672	432,362

8. Unrealised Gain on Business Combination

	Note	Unaudited 6 months ended 30 June 2021 \$
FX losses recycled to the Profit and Loss Account	A	(4,026,539)
Revalue Investment in Russian B.D. Holdings B.V to fair value	B	3,625,000
Revaluation of Russian B.D. Holdings B.V loan recoverable to fair value	C	3,834,269
Unrealised gain on business combination		3,432,730

The gain arose from the netting off, at the consolidated level,

A) Negative currency exchange differences of \$4.02M, accruing to Russian BD Holdings B.V., and reflected in the Group Financial Statements, which has been recycled to the Group Income Statement, and offset against gains arising on:

B) Revaluation of PetroNeft's original 50% holding in Russian BD Holdings B.V. to \$3.625M. The investment had previously been written down to zero in both the Group and Company's Financial Statements and:

C) Marking to fair value at PetroNeft Group level an intercompany loan receivable from Russian BD Holdings B.V. by an amount of \$3.83M. This loan had previously been carried in the PetroNeft Consolidated Financial Statements at \$4.1M

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

9 Income tax

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2021 \$	6 months ended 30 June 2020 \$	Year ended 31 December 2020 \$
Current income tax			
Current income tax charge	42,526	-	-2,635
Total current income tax	42,526	-	-2,635
Deferred tax			
Relating to origination and reversal of temporary differences	397,308	510,991	897,875
Total deferred tax	397,308	510,991	897,875
Income tax expense reported in the Consolidated Income Statement	439,834	510,991	895,240

10. Oil and Gas Properties

Group	Wells	Equipment and facilities	Total
	\$	\$	\$
Cost			
At 31 December 2019	-	-	-
At 31 December 2020	-	-	-
Transferred from Exploration and Evaluation Assets (note13)	2,439,026	-	2,439,026
Additions	-	90,268	90,268
Translation adjustment	12,262	489	12,751
At 30 June 2021	2,451,288	90,757	2,542,045
Depreciation			
At 31 December 2019	-	-	-
At 31 December 2020	-	-	-
Charge for the period	3,110	659	3,769
Translation adjustment	2	14	16
At 30 June 2021	3,112	673	3,785
Net book values			
At 30 June 2021	2,448,176	90,084	2,538,260
At 31 December 2020	-	-	-

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

11 Property, Plant and Equipment

Group	Plant and Machinery \$	Motor Vehicles \$	Property, Plant and Equipment \$	Total \$
Cost				
At 31 December 2019	688,135	-	32,065	720,200
Disposals	(3,846)	-	-	(3,846)
Translation adjustment	(108,871)	-	-	(108,871)
At 31 December 2020	575,418	-	32,065	607,483
Additions	112,762	11,477	-	124,239
Translation adjustment	14,595	324	-	14,919
At 30 June 2021	702,775	11,801	32,065	746,641
Depreciation				
At 31 December 2019	659,293	-	32,065	691,358
Charge for the period	21,671	-	-	21,671
Disposals	(3,846)	-	-	(3,846)
Translation adjustment	(106,381)	-	-	(106,381)
At 31 December 2020	570,737	-	32,065	602,802
Charge for the period	26,565	399	-	26,964
Translation adjustment	11,283	1	-	11,284
At 30 June 2021	608,585	400	32,065	641,050
Net book values				
At 30 June 2021	94,191	11,401	-	105,592
At 31 December 2020	4,682	-	-	4,682

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

12. Exploration and evaluation assets

Group	Exploration and Evaluation Assets \$
Cost	
At 31 December 2019	-
At 31 December 2020	-
Acquired through Business combination (note 15)	20,431,321
Impairment of exploration and evaluation assets (note 15)	(2,507,117)
Acquired through Business combination post impairment	17,924,204
Additions	627,977
Transferred to oil and gas properties (note 10)	(2,439,026)
Transferred to assets under construction (note 13)	(1,145,469)
Transferred to intangible assets (note 14)	(3,841,562)
Translation adjustment	212,938
At 30 June 2021	11,339,062
Net book values	
At 30 June 2021	11,339,062
At 31 December 2020	-

13. Assets under construction

Group	Assets under Construction \$
Cost	
At 31 December 2019	-
At 31 December 2020	-
Transferred from exploration and evaluation assets (note 12)	1,145,469
Translation adjustment	5,951
At 30 June 2021	1,151,419
Net book values	
At 30 June 2021	1,151,419
At 31 December 2020	-

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

14 Intangible Assets

	Intangible Assets
	\$
Group	
Cost	
At 31 December 2019	-
At 31 December 2020	-
Transfer from exploration and evaluation assets (note 12)	3,841,562
Translation adjustment	19,313
At 30 June 2021	3,860,875
Depreciation	
At 31 December 2019	-
At 31 December 2020	-
Charge for the period	4,899
Translation adjustment	18
At 30 June 2021	4,917
Net book values	
At 30 June 2021	3,855,958
At 31 December 2020	-

15 Business Combination during the period

On 5 March 2021 the Company acquired an additional 40% voting equity instruments of Russian BD Holdings B.V., a company in which the Company previously held 50% equity and was reported under the equity method of accounting. Given Management believes the accounting transactions over the 4-day period was immaterial, and all accounting is not yet complete, for the purposes of this consolidation, the consolidation date is deemed to be 1 March 2021.

The principal reason for the acquisition was to expand the Company's participation in an asset with considerable future potential value.

Details of fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, which was reallocated to Exploration and Evaluation assets is shown below.

On acquisition Russian BD Holdings B.V, had a loan payable to Belgrave Naftogas B.V., which was assigned to PetroNeft Resources plc. While the Group will make every effort to recover all contractual liabilities it considers it unlikely that the sum of \$6,921,346 will be ultimately be received.

At a Group level PetroNeft Resources had a loan receivable from Russian BD Holdings B.V. of \$4,032,496 after deducting loss allowances of \$3,834,269. In order to align the balances on the intercompany loans and reflecting fair value reporting below, the loss allowance of \$3,834,269 was reversed.

Acquisition costs of \$71,120, primarily legal and tax advice, have been expensed in the period in which they were incurred

The consideration for the transaction included the issuing of 80,000,000 PetroNeft Ordinary shares to Belgrave Naftogas B.V, and the granting of a convertible loan by Belgrave Naftogas B.V. to PetroNeft of \$1,700,000

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

15. Business Combination during the period (continued)

Business Combination during the period	Book Value \$	Adjustment \$	Fair Value \$
Exploration and Evaluation Assets	10,674,204	-	10,674,204
Inventories	107,501	-	107,501
Trade and Other Receivables	58,645	-	58,645
Cash and Cash Equivalents	18,893	-	18,893
Trade and Other Payables	(1,686,424)	-	(1,686,424)
Loans Short term	(253,832)	-	(253,832)
Provisions	(23,071)	-	(23,071)
Loan from PetroNeft Resource plc (PTR)	(7,866,765)	-	(7,866,765)
Loan from Belgrave Naftogas B.V. (BELG)	(1,737,880)	-	(1,737,880)
Loan Reassignment from BELG to PTR	(6,921,346)	6,921,346	-
Total Net Assets / (Liabilities)	(7,630,076)	6,921,346	(708,730)
Fair Value of business combination			
Issue of 80,000,0000 Ordinary Shares			3,146,640
Convertible Loan			1,551,747
Fair value of 40% Equity Acquired in Period			4,698,387
Marking PetroNeft's 50% equity to Fair value			3,625,000
Non-Controlling Interest (Note 22)			725,000
Total Fair Value			9,048,387
Excess posted to Exploration and Evaluation Assets			9,757,117

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

15. Business Combination during the period (continued)

Contribution to PetroNeft Resources plc Consolidated Statement of Financial Position

	RBD Fair Value \$	Adjustment \$	1 March 2021 PTR \$	30 June 2021 PTR \$
Exploration and Evaluation Assets (note 12)	10,674,204	9,757,117	20,431,321	13,846,178
Impairment of Exploration and Evaluation Assets (note 12)		(2,507,117)	(2,507,117)	(2,507,117)
Exploration and Evaluation Assets post Impairment			17,924,204	11,339,061
Oil and Gas Properties	-	-	-	2,538,260
Property, Plant and Equipment	-	-	-	11,401
Assets under construction	-	-	-	1,151,419
Intangible Assets	-	-	-	3,855,958
Inventories	107,501	-	107,501	98,913
Trade and Other Receivables	58,645	-	58,645	20,541
Cash and Cash Equivalents	18,893	-	18,893	65,052
Trade and Other Payables	(1,686,424)	-	(1,686,424)	(2,107,111)
Loans Short term	(253,832)	-	(253,832)	(332,427)
Provisions	(23,071)	-	(23,071)	(24,702)
Loan from PetroNeft Resource plc (PTR) (Note 17)	(7,866,765)	7,866,765	-	-
Loan from Belgrave Naftogas B.V. (BELG)	(1,737,880)	-	(1,737,880)	(1,765,555)
Loan Reassignment from BELG to PTR	-	-	-	-
Loan from Belgrave Naftogas B.V.	-	-	(1,700,000)	(811,719)
Recycle currency translation difference from PetroNeft Group Statement of Financial Position to Income Statement (Note 8)	-	-	(4,026,539)	-
Non-Controlling Interest (note 22)	-	-	(725,000)	(779,681)

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

15. Business Combination during the period (continued)

Contribution to PetroNeft's Consolidated Income Statement

<u>Russian BD Holdings B.V.- Consolidated Income Statement</u>	<u>Unaudited</u>		<u>Audited</u>
	4 months ended 30 June 2021 \$	2 months ended 28 February 2021 \$	Year ended 31 December 2020 \$
Revenue	1,601,191	27,980	37,400
Cost of sales	(1,191,404)	(95,637)	(157,567)
Gross profit	409,787	(67,657)	(120,167)
Administrative expenses	(155,797)	(39,367)	(393,639)
Operating loss	253,990	(107,024)	(513,806)
Finance revenue	900	6	325
Finance costs	(280,858)	(145,044)	(897,017)
Loss for the period for continuing operations before taxation	(25,968)	(252,062)	(1,410,498)
Taxation	(23,406)	-	-
Loss for the period	(49,374)	(252,062)	(1,410,498)
Loss for the period	(49,374)	(252,062)	(1,410,498)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustments	596,189	(26,319)	(1,687,233)
Total comprehensive loss for the period	546,815	(278,381)	(3,097,731)
PetroNeft Share	90%	50%	50%
Non-Controlling Interest/ Joint Venture Partner	10%	50%	50%
	100%	100%	100%
PetroNeft Share	492,133	(139,191)	(1,548,866)
Non-Controlling Interest/ Joint Venture Partner	54,681	(139,191)	(1,548,866)
	546,815	(278,381)	(3,097,731)

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

16. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited

PetroNeft Resources plc has a 50% interest in WorldAce Investments Limited, a jointly controlled entity which holds 100% of LLC Stimul-T, an entity involved in oil and gas exploration and the registered holder of Licence 61. The interest in this joint venture is accounted for using the equity accounting method. WorldAce Investments Limited is incorporated in Cyprus and carries out its activities, through LLC Stimul-T, in Russia.

	Share of net assets \$
At 1 January 2020	-
Share of net loss of joint venture for the year	(5,737,042)
Translation adjustment	(6,735,737)
Credited against loans receivable from WorldAce Investments Limited	<u>12,472,779</u>
At 1 January 2021	-
Share of net loss of joint venture for the period	(2,545,198)
Translation adjustment	649,635
Credited against loans receivable from WorldAce Investments Limited	<u>(1,895,563)</u>
At 30 June 2021	<u>-</u>

The balance sheet position of WorldAce Investments Limited shows net liabilities of \$92,704,976 following a loss in the period of \$5,090,395 together with a positive currency translation adjustment of \$1,299,269.

PetroNeft's 50% share is included above and results in a negative carrying value of \$46,352,488. Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the amount of \$41,323,385 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 17).

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

16. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

	WorldAce Group		<u>Audited</u>
	<u>Unaudited</u>		<u>Year ended</u>
	6 months ended 30 June 2021	6 months ended 30 June 2020	31 December 2020
	\$	\$	\$
<i>Continuing operations</i>			
Revenue	14,411,943	8,043,072	16,719,562
Cost of sales	14,355,890	8,986,647	17,465,594
Gross profit	56,053	(943,575)	(746,031)
Administrative expenses	1,623,401	1,552,739	2,497,806
Operating loss	(1,567,348)	(2,496,313)	(3,243,837)
Loss on disposal of oil and gas properties	-	-	-
Write-off of exploration and evaluation assets	-	-	-
Finance revenue	38,019	23,633	35,745
Finance costs	3,561,066	4,349,043	8,003,105
Loss for the period for continuing operations before taxation	(5,090,395)	(6,821,723)	(11,211,197)
Income tax expense	-	-	262,599
Loss for the period	(5,090,395)	(6,821,723)	(11,473,796)
Loss for the period	(5,090,395)	(6,821,723)	(11,473,796)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustments	1,299,269	(9,060,374)	(13,471,473)
Total comprehensive loss for the period	(3,791,126)	(15,882,097)	(24,945,269)

Finance costs mainly relate to interest on shareholder loans from Oil India International B.V. and PetroNeft Resources plc.

The currency translation adjustment results from the revaluation of the Russian Rouble during the period. All Russian Rouble carrying values in Stimul-T, the 100% subsidiary of WorldAce are converted to US Dollars at each period end. The resulting gain or loss is recognised through other comprehensive income and transferred to the currency translation reserve. The Russian Rouble strengthened against the US Dollar during the period from RUB74.53: \$1 at 31 December 2020 to RUB73.01: \$1 at 30 June 2021.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

16. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

	WorldAce Group	
	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
Non-current Assets		
Oil and gas properties	64,113,125	63,884,598
Property, plant, and equipment	349,395	241,080
Exploration and evaluation assets	-	-
Assets under construction	1,763,409	1,517,064
Intangible Assets	1,861,569	1,829,477
	<u>68,087,498</u>	<u>67,472,219</u>
Current Assets		
Inventories	2,898,682	2,149,712
Trade and other receivables	1,282,493	904,824
Cash and cash equivalents	1,727,729	212,433
	<u>5,908,905</u>	<u>3,266,969</u>
Total Assets	<u>73,996,402</u>	<u>70,739,188</u>
Non-current Liabilities		
Provisions	1,484,928	1,360,704
Obligations under finance lease	41,373	61,222
Interest-bearing loans and borrowings	151,335,962	147,877,926
	<u>152,862,263</u>	<u>149,299,852</u>
Current Liabilities		
Interest-bearing loans and borrowings	2,475,993	2,475,992
Obligations under finance lease	43,242	43,242
Trade and other payables	11,057,136	7,571,206
Current tax liabilities	262,745	262,745
	<u>13,839,115</u>	<u>10,353,185</u>
Total Liabilities	<u>166,701,378</u>	<u>159,653,037</u>
Net Liabilities	<u>(92,704,976)</u>	<u>(88,913,849)</u>
Net Liabilities (PetroNeft 50% share)	<u>(46,352,488)</u>	<u>(44,456,925)</u>

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

17. Financial Assets- Loans and Receivables

Group	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
Loans to WorldAce Investments Limited	67,493,427	66,105,781
Loss Allowance	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited Loss (Note 16)	<u>(41,323,385)</u>	<u>(39,774,519)</u>
	<u>23,060,541</u>	<u>23,221,761</u>
Loans to Russian BD Holdings B.V.	7,866,765	7,800,869
Less: share of Russian BD Holdings B.V. Loss (Note 15)	(3,834,269)	(3,681,920)
Revaluation of Loan on Business Combination (Note 15)	3,834,269	-
Elimination of Loan on Consolidation (Note 15)	<u>(7,866,765)</u>	<u>-</u>
	-	4,118,949
	<u>23,060,541</u>	<u>27,340,710</u>

18. Inventories

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
Materials	<u>130,154</u>	<u>19,387</u>
	<u>130,154</u>	<u>19,387</u>

19. Trade and other receivables

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
Receivable from joint venture	2,377,643	2,329,529
Trade Receivables		45,718
Other receivables	104,530	68,028
Advances to contractors	18,667	1,468
Prepayments	<u>32,490</u>	<u>84,188</u>
	<u>2,533,330</u>	<u>2,528,931</u>

Other receivables are non-interest-bearing and are normally settled on 60-day terms.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

20. Cash and Cash Equivalents

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
Cash at bank and in hand	<u>1,134,962</u>	<u>101,028</u>
	<u>1,134,962</u>	<u>101,028</u>

Bank deposits earn interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates

21 Share Capital - Company

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	€	€
Authorised Share Capital		
1,250,000,000(2020: 1,250,000,000) Ordinary Shares of €0.01 each	<u>12,500,000</u>	<u>12,500,000</u>

	Number of Ordinary Shares	Called up share capital \$
Allotted, called up and fully paid equity		
At 1 January 2020	721,130,500	9,585,965
Issued during the year	<u>118,226,241</u>	<u>1,310,703</u>
At 1 January 2020	839,356,741	10,896,668
Issued during the period	<u>205,878,646</u>	<u>2,453,705</u>
At 30 June 2021	<u>1,045,235,387</u>	<u>13,350,373</u>

On 12 March 2021, the Company issued 80,000,000 Ordinary Shares as part consideration for the acquisition of a further 40% holding in Russian BD Holdings B.V.

In addition, during the course of the interim period, some holders of the Convertible debt facilities issued in 2019 and in 2021 exercised their rights to redeem the agreed conversion percentage of the convertible debt agreements for Ordinary equity in PetroNeft Resource plc.

A total of 125,878,646 equity instruments were issued in respect of Conversion rights

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

22. Non-Controlling Interest

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2021	31 December 2020
	\$	\$
At date of Business Combination (note 15)	725,000	-
Share of RBD Profit /(loss)	(4,937)	-
Share of RBD Currency Exchange Differences	59,618	-
	<u>779,681</u>	<u>-</u>

Non-Controlling Interest is held by Belgrave Naftogas B.V. and arose on the Consolidation of Russian BD Holdings B.V. post the acquisition of an additional 40% equity holding by PetroNeft.

23. Loans and Borrowings

Group and Company	Effective interest rate	Contractual maturity date	<u>Unaudited</u>	<u>Audited</u>
			30 June 2021	31 December 2020
	%		\$	\$
Interest-bearing				
<i>Current liabilities</i>				
Petrogrand AB	11.56%	15-Dec-21	2,719,039	2,675,774
Natlata Partners Limited	10.14%	31-Dec-21	226,881	632,417
ADM Consulting	10.16%	31-Dec-21	167,951	459,297
Daria Shaftelskaya	10.13%	31-Dec-21	99,066	269,259
Others	10.14%	31-Dec-21	59,388	57,322
David Sturt	10.14%	31-Dec-21	20,917	57,322
Total current liabilities			<u>3,293,242</u>	<u>4,151,391</u>
<i>Non-Current liabilities</i>				
Belgrave Naftogas B.V.	6.05%	31-Dec-25	1,765,555	-
Belgrave Naftogas B.V.	8.00%	05-Mar-24	800,903	-
Natlata Partners Limited	8.10%	13-Mar-23	140,551	-
ADM Consulting	8.10%	13-Mar-23	140,629	-
David Sturt	8.10%	13-Mar-23	76,971	-
Karl Johnson	8.10%	13-Mar-23	153,696	-
Pavel Tetyakov	8.10%	13-Mar-23	30,333	-
Alken Kuanbay	8.10%	13-Mar-23	16,339	-
Others	8.10%	13-Mar-23	1,198,367	-
Total non-current liabilities			<u>4,323,344</u>	-
Total loans and borrowings			<u>7,616,586</u>	<u>4,151,391</u>
Contractual undiscounted liability			<u>7,616,586</u>	<u>4,151,391</u>

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

23. Loans and Borrowings (continued)

Changes in financial liabilities arising from financing activities

	<i>Unaudited</i>	<i>Audited</i>
	30 June 2021	Year ended 31 December 2020
	\$	\$
At 1 January	4,151,391	4,242,849
2021 Convertible debt -13 Lenders	2,903,802	-
Convertible debt- Belgrave Naftogas B.V.	1,700,000	-
Consolidate Loan Belgrave Naftogas B.V.-Licence 67	1,659,256	-
<u>Equity Conversions:</u>	-	-
a) 2019 Convertible debt- 4 lenders	(812,500)	-
b) 2021 Convertible debt - 5 lenders	(1,186,856)	-
c) Belgrave Naftogas B.V.	(850,000)	-
Accrued Interest	341,962	432,362
Interest Repayment	(87,942)	(277,746)
Profit on modification of financial liabilities	-	(218,898)
Interest reversal on debt Conversion to equity	(145,817)	-
Convertible debt option reserve	(57,767)	-
Translation Reserve	1,057	(27,176)
At period end	7,616,586	4,151,391

Loan facilities.

During February 2021, PetroNeft entered a convertible loan facility of \$2.903 million with a group of 13 lenders. The convertible loan, which remains unsecured, matures on 11 March 2023.

The loan facility is being used for general corporate and ongoing operational purposes and carries an interest rate of Bank of England base rate plus 8%. Lenders can elect at any time to convert up to 75% of the outstanding loan to shares at a conversion price of STG 0.02 pence per share in the case of a conversion notice served on PetroNeft, on or prior to the first anniversary of the drawdown notice, and STG0.025 pence per share if the Conversion notice is served on PetroNeft on or prior to the second anniversary of the drawdown notice.

During the reporting period a total of 5 lenders representing a total of loan principal advances of \$1,582,475 exercised their option to convert a sum of \$1,186,856

As part of the acquisition of the additional 40% equity in Russian BD Holdings B.V., Belgrave Naftogas B.V. provided to PetroNeft a convertible loan, which carries an interest rate of Bank of England base rate plus 8%.

The lender elected to convert the agreed conversion amount, being 50% of the loan principle at stg0.02 p per share during the reporting period.

The lender retains a pledge over those equity instruments transferred to PetroNeft by Russian BD Holdings B.V., until such time as the loan is cleared in full.

On first time consolidation of Russia BD Holdings B.V., PetroNeft Resources plc records 100% of the loan owing by Russian BD Holdings B.V. to Belgrave Naftogas B.V. The loan which matures on 31 December 2025 carries an interest rate of average 3-month LIBOR plus 5%.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

23. Loans and Borrowings (continued)

PetroNeft Resources plc secured an extension of the Petrogrand AB loan, with a renewed maturity date of 31 December 2021, which may be extended further if 20% of the loan principal amount is repaid by 31 December 2021.

The security on the loan, attaches to any of the assets of PetroNeft Resources plc. An asset being defined as any present or future assets, revenues, and rights of every description. The security is for any obligation for the repayment of monies owed to Petrogrand AB, be it present, or future, actual or contingent.

24. Trade and other payables

	<u>Unaudited</u>	<u>Audited</u>
	<u>30 June 2021</u>	<u>31 December 2020</u>
	\$	\$
Trade payables	634,104	552,841
Trade payables to jointly controlled entity	1,075,095	57,703
Corporation tax	55,232	55,232
Other taxes and social welfare costs	566,923	59,395
Accruals and other payables	434,729	1,189,281
	<u>2,766,083</u>	<u>1,914,452</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Trade and other payables are non-interest-bearing and are normally settled on 60-day terms.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

25. Contingent Liability

	<u>Unaudited</u>	<u>Audited</u>
	<u>30 June 2021</u>	<u>2020</u>
	\$	\$
	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

In consideration for the loan advances and extending out the repayment period, Petrogrand AB is entitled to receive additional fees in the sum of \$2,500,000 per licence if the sale of either or both occurs before the 31 December 2023.

The obligation and liability shall survive the repayment or mandatory repayment of the Petrogrand AB loan and shall continue to be secured by a floating charge over the assets of PetroNeft Resources plc.

26. Important Events after the Balance Sheet Date

In the period from 1 July 2021 up until the authorisation to release these interim financial statements announcement, a further \$700,625 of convertible debt was converted to ordinary equity instruments of PetroNeft Resources plc, through the issuing of 27,262,811 Ordinary shares.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2021

26. Important Events after the Balance Sheet Date (continued)

The remaining 5 lenders of the 2021 Convertible debt raise represent \$476,328 in original principal advance and \$357,246 in Conversion amount, which if exercised, maybe converted at a conversion price of STG 0.02 pence per share in the case of a conversion notice served on PetroNeft, on or prior to the first anniversary of the drawdown notice and STG0.025 pence per share if the Conversion notice is served on PetroNeft on or prior to the second anniversary of the drawdown notice

27 Board approval

This announcement was approved by the Board of Directors of PetroNeft Resources plc on 29 September 2021.