PetroNeft Resources plc

Annual Report and Financial Statements

for the year ended 31 December 2021

PetroNeft Resources plc

Table of Contents

Annual Report and Financial Statements

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 Sturt (British citizen) *(Chief Executive Officer)* Pavel Tetyakov (Russian citizen) (*Vice President Business Development)* Anthony Sacca (Australian citizen) *(Independent Non-Executive Director)* Daria Shaftelskaya (Non-Executive Director) Eskil Jersing (British citizen - appointed 1 November 2021), (*Independent Non - Executive Director*)
Registered Office and Business Address	20 Holles Street Dublin 2 Ireland
Secretary	Michael Power FCA
Auditor	**BDO** Beaux Lane House Mercer Street Lower Dublin 2 Ireland
Nominated Adviser and **Euronext Growth Market Adviser**	**Davy** 49 Dawson Street Dublin 2 Ireland

Group Information *(continued)*

Broker	**Davy** 49 Dawson Street Dublin 2 Ireland	
Principal Bankers	**KBC Bank Ireland** Sandwith Street Dublin 2 Ireland	**AIB Bank** 1 Lower Baggot Street Dublin 2 Ireland
	Raiffeisen Bank Novosibirsk branch Tomsk Russia	
Solicitors	**Byrne Wallace** 88 Harcourt Street Dublin 2 Ireland	
Registered Number	408101	
Registrar	**Computershare** 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland	

PetroNeft Resources plc

Board of Directors

Alastair McBain – *(Non-Executive Chairman) (Age 66)*
Alastair was appointed a Non-Executive Director of the Company in January 2021 and became Non-Executive Chairman on 19 February 2021. He has had a highly successful 37 years career in the international oil and gas industry. Initially working for 17 years at Royal Dutch Shell in numerous senior international commercial positions. He joined the Vitol group in 1995 to head up the growth of the group's portfolio of upstream assets and became CEO of Arawak Energy in 2002. He grew the company from an initial US$20M valuation with zero production to a US$0.5Bn company producing 12,000 boepd from assets in Kazakhstan, Russia, and Azerbaijan. He also oversaw the migration of Arawak Energy from a junior listing on the Toronto exchange to a full listing on the London Stock Exchange. Following Arawak's acquisition by Vitol, he worked with Vitol in a variety of senior positions including board Chairman of GeoAlliance, one of Ukraine's leading independent producers of natural gas and gas liquids. He left Vitol in early 2020 to form Sarum Energy, a company which acquired a 50% interest in Licence 67. Sarum Energy still retains a 10% interest in Licence 67, having sold the remaining 40% to PetroNeft in March of 2021. He holds an MA in Oriental Studies from the University of Oxford and in addition to his native English, is also a fluent Mandarin speaker.

David Sturt – *(Chief Executive Officer and Executive Director) (Age 60)*
David was appointed a Non-Executive Director of the Company in April 2016 and became Chief Executive Officer on 25 March 2019. He was a member of the Remuneration Committee up until his appointment as CEO. David has over 35 years international experience in the oil and gas industry gained working on projects in Europe, CIS, Africa, and SE Asia in a variety of senior technical and managerial positions at Conoco-Philips, Hess, PetroKazakhstan, Exillon Energy, Ukrnafta and Azimuth Energy. In 2010 he was a founding partner in VistaTex Energy which built a portfolio of producing assets across the onshore US, the company was later successfully sold to Dome Energy in 2014. In June 2022 he resigned his position as a non-Executive director of Petrosibir AB, a Swedish Company with oil and gas interests in the Bashkiria and Komi regions of Russia. David holds a BSc honours degree in Earth Sciences from Kingston University, an MSc degree in Exploration Geophysics from Leeds University, and a postgraduate diploma in business administration from Heriot Watt University.

Pavel Tetyakov – *(Vice President Business Development and Executive Director) (Age 42)*
Pavel was appointed to the Board as an Executive Director in January 2020. He has 20 years of experience in senior and top management positions working for a variety of E&P companies including: PetroKazakhstan, Exillon Energy, Ukrnafta, Sibgasoil and Petrosibir. His main areas of expertise are M&A and operations management. He negotiated the acquisition of several licences in PetroKazakhstan, was responsible for building the asset portfolio of Exillon Energy, managed divestment of Sibgasoil oil fields in several regions of Russia and led the transformation of Petrosibir that resulted in improved operational performance and new oil field discoveries. He joined the Company in May 2016 as Vice-President Business Development. In July 2018 Mr Tetyakov took over the management of the Russian subsidiaries of PetroNeft as General Director. Pavel holds a Bachelor of Arts degree in Business Administration from Budapest University of Economic Sciences and Public Administration

Anthony Sacca – (Independent *Non-Executive Director) (Age 50)*
Anthony was appointed an Independent Non-Executive Director of the Company in April 2016. He is chairman of the Audit Committee. He is principal of Karri Tree Executive Coaching. Anthony was previously the Chief Financial Officer of Rolf Group of Companies, one of Russia's largest independent automotive distributor/retailers. Prior to that he was a Partner with PwC in Moscow. Anthony is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand. He holds a Bachelor of Business and Administration (Distinction) from Curtin University of Technology Perth, Australia. He is a member of the Russian Independent Directors Association and is a Fellow Chartered Director with the Institute of Directors in the United Kingdom.

Daria Shaftelskaya – (*Non-Executive Director) (Age 43)*
Daria was appointed a Non-Executive Director in January 2020. She has 20 years of experience in the oil & gas exploration and production business within the West-Siberian basin (Tomsk region). More recently she has been working as chief financial officer in several Russian companies including: "Finco", "Hermes - Moscow" and "Sever" where she was primarily focused on oil & gas trading and operational facilities construction in the West Siberian region. She holds a degree in economics and engineering from Tomsk Technical University (1999) and a Master's Degree in Economics also from Tomsk Technical University (2001).

Board of Directors (continued)

Eskil Jersing – (Independent Non- Executive Director) (Age 58)

Eskil was appointed an Independent Non-Executive Director on 1 November 2021. He is an Oil Industry Senior Executive with 35 years of International E&P experience in most of the world's key Petroleum basins, including the North Sea, DW Gulf of Mexico, Brazil, Africa, and SE Asia. He has had various Upstream Exploration and New Business focused roles with Enterprise Oil, Shell, Marathon Oil, Apache corporation and Petrobras oil and Gas BV. He was most recently CEO of Wentworth Resources plc, and CEO of Sterling Energy plc, both AIM listed Africa focused E&P Companies. In addition to his role at PetroNeft Resources plc, he is a New Business Advisor to Eburon Resources LLC, a privately backed Exploration startup, on the Advisory panel of Energilink ltd and a Director of Eskoil Ltd. Mr. Jersing graduated with a BSc. in Geophysics from Cardiff University, and an MSc. in Petroleum Geology from Imperial College London.

Highlights

Financial

- Convertible debt redeemed through share issuance US$3.55M (2020:US$Nil)
- Raised US$2.93M through group of existing Shareholders, Directors, and Management.
- Gross profit improved to US$1.4M (US$0.24M 2020).

Operational

- Production increased by 21.17% with increase at both Licence 61 and 67.
- Licence 67 brought into year-round production from C-4 well at Cheremshanskoye field.
- Two well stimulation program (Sibkrayevskoye and Lineynoye fields) with investment being paid out by year end.
- First sales achieved from mini oil processing unit located at Licence 61, generating third party revenue of US$0.19M.

ESG

- Company Maintained its safety record with zero lost time incidents in 2021 (2020: zero)
- Created ESG Committee reporting directly to the Board and supported by new sustainability Manager in Tomsk.
- Refreshed and strengthened the Board with Alastair McBain taking over as Non- Executive Chairman of the Board and Eskil Jersing joining the Board as Independent Non-Executive Director.

Outlook

- Independent reserves report NPV10 valuation - US$522.21M (2021) – net attributable to PetroNeft based on the net 2P (Proved and Probable) for both Licenses 61 and 67.
- Development drilling on Cheremshanskoye (Licence 67) soon to commence with initial five well program.
- Scale of Emtorskaya prospect recognized by Miller and Lents, Pmean de-risked resource potential 96 mmbbls (gross) with estimated geological chance of success 49.76% and P10 potential de-risked resource of 235.3 mmbbls (gross).
- As reported by the Company on 29th August, the suspension of acceptance of our oil by Nord Imperial LLC from Licence 61 remains an uncertainty, the Company will focus attention on working to find a commercially viable solution.

Chairman's Statement

Dear Shareholders,

World energy demand continued to rebound through 2021 leading to improved pricing as the effects of the COVID pandemic waned. As we exited 2021, we were looking forward to 2022 with a great degree of optimism as the Company continued to perform well across its asset portfolio on the back of the improving macro environment. Since the start of 2022 we have however been watching the tragic events unfolding in Ukraine and the consequent geopolitical turmoil. While we face certain disruptions, which now include the Nord Imperial LLC pipeline situation, Licence 61 operational performance, was in line with Company's expectations (pre shutdown), and Licence 67 continues to exceed Company's expectations. We owe a duty to our shareholders and all our stakeholders to continue to operate as best we can. As current constraints to date have mainly related to new restrictions on fund transfers, the pipeline shutdown on Licence 61, we have thus far been successful in minimising the impact of disruptions.

Our primary focus is on the effective and responsible development of our assets to increase production, revenue, and cash flow to deliver growth in shareholder value.

We are doing all that we can to ensure that our operations are carried out safely, reliably, and efficiently as well as with minimal disruption to the natural environment. Our production of associated natural gas is almost completely used for on-site electricity generation and heating, dramatically reducing emissions by eliminating the need for diesel fuel and its transportation by truck.

In the Tomsk region we play our part in the local community, supporting local schools and re-foresting areas no longer required for operations. We are proud once again to have passed 2021 with zero lost time incidents.

Your board is acutely aware of its responsibilities in respect of minimising the ecological impact of its operations, and continually upgrading environmental and safety performance while cultivating a meritocratic, open, empowered, and fair management culture. To that end, I am pleased to announce that in January 2022, the board unanimously approved the creation of an Environmental Social and Governance (ESG) committee and the adoption of its constitution and terms of reference. We have also created a new position of Sustainability Manager based in Tomsk. This new role will improve the board's transparency of ESG issues as the new appointee reports directly to Pavel Tetyakov, Senior Vice President, and Executive Director of PetroNeft.

As a company we remain focused on strong operational performance, combined with technical excellence, aimed at efficiently lifting production, increasing revenue, and adding to reserves. Real benefits are beginning to emerge for all the Company's stakeholders. The successful acquisition of an additional 40% (Economic Interest) of Licence 67 which closed in Q1 2021, has seen an incremental production uplift and a key addition to the Company's cash flow on a 90% basis; a good example of this trend.

Corporate Development

2021 saw Board changes for the company. I was very pleased to have been elected to the Board on the 29th of January as a Non-Executive Director and then, 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.

Later in November 2021 the company welcomed Eskil Jersing to the Board as Non-Executive Director. Eskil brings considerable depth and breadth of experience within the international oil and gas industry and of leading listed E&P companies. I believe that he will make a major contribution to the next chapter of our growth, and I look forward to working with him.

Strategy

As reported previously, we have a considerable stable of valuable organic growth opportunities and are primarily focused on delivering value through development and production of this portfolio. This includes the northern hub in Licence 61 and the Cheremshanskoye and Ledovoye fields in Licence 67.

Chairman's Statement (continued)

Historically the Company sold all its oil production on the Russian domestic market. In October 2021 the Board took the decision to commence exports. Although the comparative attractiveness of the export market varies over time, it provides a useful alternative and often superior netback for us. To date it has resulted in greater flexibility and improved margins.

In addition to operations, we will also look at growth through new acquisitions but only where we judge them to be overwhelmingly attractive and where we can finance an acquisition. We believe that the opportunities in our sector are currently better than at any other period in our recent history. Globally, dependence of fossil fuels is decreasing, but we believe the current pace of demand reduction will be far from adequate to compensate for the decrease in supply through natural decline, the curtailment of exploration budgets and the comparative lack of spare capacity in OPEC.

Business Development

The acquisition of an additional 40% interest in Licence 67 resulted in PTR increasing its interest from 50% to 90% and was closed in the first quarter 2021. This acquisition is seen as being highly accretive to our overall corporate value while at the same time aligning Sarum's interest with the Company's as a significant part of the deal consideration was paid in shares and convertible debt (which has since been converted). Licence 67 is at a transformative stage in its development, moving from being an exploration to a producing asset as the C-4 well at the Cheremshanskoye field was brought into year-round stable production. The progress made on this licence is increasingly supporting our view of the significant potential to grow production, reserves, and revenue in the near term.

Outlook

Despite the challenges caused by the current geopolitical situation, combined with the recent suspension of oil acceptance and shipments from Licence 61 (as announced on 29th August), the Company has been benefiting from the continued focus on improving both subsurface technical understanding and operational performance whilst maintaining cost discipline. Within our stable of opportunities, we have the Northern Hub in Licence 61 and the Cheremshanskoye field in Licence 67, both offer numerous options for transformational growth.

With the suspension of oil acceptance by Nord Imperial on Licence 61 following a long running tariff dispute, the Company is working with all stakeholders to find a commercially attractive solution which will increase the financial attractiveness of further investments in Licence 61.

Operations and Reserves (Miller and Lents)

Previously I reported that the Company was keen to prove up the inherent value that is contained within Licence 61 and Licence 67. The recently published Miller and Lents reserves, and resource report is an independent confirmation of our views of the potential value of these assets.

The Chief Executive Officer's report contains the details of the operations and oil reserves of the Company, highlighting the significant upside potential of the Northern Hub area in Licence 61 which includes the Sibkrayevskoye and West Lineynoye fields and the material Emtorskaya prospect. In Licence 67 the Cheremshanskoye oil field is a very exciting development opportunity, which is already producing and generating revenue, and will provide further growth opportunities through both near field exploration and accelerated appraisal drilling.

Summary

In ordinary circumstances we would have been able to say that the continued improvement in the Company's performance combined with the increasing oil price through 2021 and into 2022, has enabled us to look to the future with increasing confidence and belief in the ability to grow the value of the Company. However, we must recognise that a geopolitical cloud hangs over our current business and uncertainty as to when transhipment of oil will resume on Licence 61. Nevertheless, over the past few years we have laid solid foundations which should allow the fundamental basis of our business to grow and prosper.

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 the past year.

Alastair McBain
Non-Executive Chairman

Chief Executive Officer's Report

Dear fellow shareholders, on the back of the improving energy markets, we achieved some notable successes in 2021 which are covered in the Highlights section at the front of this report.

Operational Performance

Gross Overall Production (Licence 67 and Licence 61)	**2021**	**2020**
Total Production bbls	692,669	571,710
Net to PetroNeft Resources plc	**381,575**	**285,855**

Licence 67	**2021**	**2020**
Total Gross Production	89,014	1,200
Gross bopd	243	3
Net to PetroNeft Resources plc -90% share	**79,748**	**600**

Licence 61	**2021**	**2020**
Total Gross Production	603,655	570,510
Gross bopd	1,653	1,563
Net to PetroNeft Resources plc -50% share	**301,827**	**285,255**

Financial Performance of the Licences (100% basis):

Licence 67	**Units**	**2021**	**2020**
Revenue	USD '000	4,640	37
Cost of Sales	USD '000	(3,482)	(158)
Gross Profit /(Loss)	USD '000	1,158	(120)
Administrative Expenses	USD '000	(513)	(394)
Operating Profit/(Loss)	**USD '000**	**645**	**(514)**
Average realised price	$/bbl	52.14	31.17
Cash operating Costs*	$/bbl	9.76	274.9

Licence 61	**Units**	**2021**	**2020**
Revenue	USD '000	29,912	16,720
Cost of Sales	USD '000	(28,650)	(17,466)
Gross Profit /(Loss)	USD '000	1,263	(746)
Administrative Expenses	USD '000	(4,144)	(2,516)
Operating Profit/(Loss)	**USD '000**	**(2,882)**	**(3,262)**
Average realised price	$/bbl	50.98	28.15
Cash operating Costs	$/bbl	16.2	14.3

* Cash operating costs, a non IFRS measure representing operating costs of each operating asset on a standalone basis, excluding corporate overhead, mineral extraction tax, depreciation and amortisation and other non-EBITDA items.

Chief Executive Officer's Report *(continued)*

2021 Review

Management has worked hard to continually focus on cost reduction and optimisation across all levels of the Group. Our Corporate costs at the PetroNeft level were in line with expectations and continue to show improvement, even after the first-time consolidation of Russian BD Holding B.V. administration overhead. This was primarily achieved by closing and downsizing offices, reducing, and optimising personnel, and working closely with contractors and suppliers to improve contractual arrangements.

Gross production in 2021 was 692,669 barrels of oil or an average of 1,897 bopd. No new production wells were drilled during the year, this represents an increase of 21.16% from 2020 production of 571,710 barrels (1,562 bopd average). The boost in production during 2021 was primarily driven by the re-entry of the C-4 well on the Cheremshanskoye field in Licence 67. The well has been flowing naturally with production building as the choke size was gradually increased from 2 mm to 8 mm. The current stabilised flow rate is 270 bopd.

In 2021, we continued to benefit from the ongoing reorganisation of the Company with the integration of the additional 40% equity interest in Licence 67. The newly consolidated asset base, together with the recently published Miller and Lents report has provided valuable fresh insights and impetus to further review and optimise our operational activities and arrest the natural decline in some of our core fields.

Gross production 2021 by fields

Licence	Field	2021 Gross production	2020 Gross production	% Change
67	Cheremshanskoye	89,014	1,200	7317.8%
	Sub Total =	**89,014**	**1,200**	**7317.8%**
61	Lineynoye	232,732	202,239	15.1%
	West Lineynoye	59,071	64,424	-8.3%
	Arbuzovskoye	204,263	222,203	-8.1%
	Sibkrayevskoye†	107,589	78,231	37.5%
	Tungolskoye	0	2,905	-100.0%
	Kondrashevskoye	0	508	-100.0%
	Sub Total =	**603,655**	**570,510**	**5.8%**
	Total =	**692,669**	**571,710**	**21.2%**

†Note: Sibkrayevskoye only started producing year-round in from January 2020.

Licence 67

The Company holds a 90% operational interest in this licence with our partner Belgrave NaftoGaz B.V. (formerly Arawak Energy) holding the remaining 10%. The ownership of Belgrave NaftoGaz B.V. changed at the beginning of 2020 due to a buyout by a group of investors led by the former CEO of Arawak Energy and now Non-Executive Chairman of PetroNeft (Alastair McBain). Following this buyout PTR acquired an additional interest in Licence 67 from Belgrave NaftoGaz B.V which increased our interest to 90%, this acquisition closed in the first quarter of 2021.

The licence is surrounded by producing fields and all-weather roads which run through the licence and past both the Cheremshanskoye and Ledovoye fields. The proximity of roads to both fields provides an easy transportation route which reduces CAPEX and OPEX costs on any forward development as well as providing multiple export routes. Both these fields are covered by modern 3D seismic data which continues to be utilised to update the geological models for the fields.

2021 was a very important year for this licence, as the asset moved from an exploration and evaluation asset to a fully commercial producing asset with 89,014 bbls of oil being produced. The oil is of good quality, enabling it to be sold at competitive market rates. In addition to the substantial incremental revenue achieved in 2021, the field continues to provide valuable reservoir performance data.

In 2018 the Company successfully drilled the C-4 well on the Cheremshanskoye field, this was the first well to be drilled after the acquisition of 3D seismic data over the field. Following completion of this well we successfully booked 19.26 mmbbls of C1+C2 reserves (equivalent to International standard 2P) approved by GKZ (Russian State Reserves Auditor) in January 2019.

In 2021 a field reservoir simulation model was built and forward development well locations were identified. The conclusions from this work were reviewed by Miller and Lents who calculated a gross 2P (Proven + Probable) of 22.90 mmbbls and gross 3P (Proven + Probable + Possible) of 34.47 mmbbls for the main Upper Jurassic reservoirs.

The C-3 well, located on the southern part of the Cheremshanskoye field was re-entered and the Lower Jurassic J14 reservoir was successfully tested, but recovered gas and non-commercial quantities of high paraffin condensate/light oil. Operations were suspended before moving to the shallower Upper Jurassic reservoirs due to the economic crisis and the COVID-19 virus. Further work is ongoing to understand the implications of the results for the potential of the Lower Jurassic J-14 reservoir. Miller and Lents assigned a gross 3P reserve of 17.59 mmbbls for this Lower Jurassic additional reservoir interval.

Following a technical review, combined with the economic advantages of developing short-cycle assets near infrastructure, we see this licence as having the potential to add significant value for the Company through the following strategy:

- Full Field Development of the Upper Jurassic reservoir at Cheremshanskoye field where we see the potential to drill up to 53 vertical and horizontal wells.
- Evaluate the potential of the Lower-Middle Jurassic Tyumen formation which underlies the Upper Jurassic productive zones at the Cheremshanskoye field.
- Evaluate the Ledovoye field appraisal and development opportunities.
- Capture the value of near field exploration opportunities around the Cheremshanskoye and Ledovoye field.

Cheremshanskoye field

The field covers an area of 46 km² with three previous wells (C-1, C-2 & C-3) drilled within the southern half of the field encountering oil within the Upper and Lower Jurassic intervals. These wells were however drilled prior to 3D seismic data which was acquired during 2014. Interpretation of this seismic data has since shown that these wells were all located down dip on the flanks of the field

In 2018, PetroNeft successfully drilled the C-4 well which was a significant step out well proving up the northern half of the Cheremshanskoye field. This well tested oil on a short period test from the Upper Jurassic J1-1 and J1-3 intervals at a combined open hole prorated test of 399 bopd.

Following completion of the C-4 well, the Company, during the first quarter of 2019, had reserves of 2.5 mm tons of C1 + C2 (19.26 mmbbls) approved by the Russian State Reserves Committee (approximately equivalent to International 2P category). Crucially this reserves level qualifies for an approximate 15-20% reduction in the rate of Mineral Extraction Tax which is generally set at 60% of the gross revenue. A 15-20% reduction clearly equates to considerable value potential over the life of the field.

The well was however not tested for a sufficient length of time, leaving gaps in our understanding of the reservoir performance and fluid type remained unresolved. During Q1 2020 we re-entered the well and performed a rigorous testing program of the Upper Jurassic reservoirs (J1-1 & J1-3) with the well flowing up to 476 bopd (instantaneous flow) on a 10mm choke. The oil produced was good quality 35-degree API. In total 1,200 barrels of oil were produced and sold at competitive market rates at the well head, thereby removing potentially costly pipeline tariffs and transportation costs.

The customer that purchased the test oil later agreed to provide a US$1 million loan facility to enable construction of an all-season road across the field. This road was started at end of 2020 and completed ahead of schedule and on budget in Q1 2021. At the same time, the C-4 well was brought into production during Q1 2021 and had produced by the end of 2021 a total of 89,014 barrels of oil without any appreciable water.

In 2021 a detailed reservoir simulation model was built for the field which provided an optimum full field development plan which includes the drilling of 53 wells being a combination of vertical and horizontal wells. The model excludes any potential Lower-Middle Jurassic Tyumen formation, which would require a separate development plan.

The Cheremshanskoye field has reserves in both the J-1 and J-3/4 Upper Jurassic sands. Most of the reserves are in the J-3/4 sands, but there is approximately 10-15% located in the upper J-1 sands. Therefore, planned development will include a combination of vertical and horizontal wells to adequately drain both reservoir sequences.

Immediately adjacent to this field along the Northeast margin lies the producing Lomovoye field operated by Tomskneft (subsidiary of Rosneft) and reportedly already has over two hundred producing wells. We see the geology and subsurface environment as being very similar and so a good analogue for Cheremshanskoye.

Ledovoye Field

The field lies along the northern margin of Licence 67 and is believed to be an extension of the producing North Ledovoye field in the adjacent licence 55 to the north. Three previous wells have been drilled in the field with oil recovered from the Upper Jurassic interval through open hole tests and indications of oil in the overlying Cretaceous intervals. Such open hole tests are not recognised by the State Reserves Committee (GKZ), so during 2019 we reviewed available well data and identified the potential to re-enter both the L-2a and L-2 wells to test the Upper Jurassic and overlying Cretaceous intervals, previously missed. These wells lie less than 200 meters from a good quality all season road, so well re-entry operations can occur year-round. This re-entry program was initially scheduled to be completed during the first half of 2020 but, like the Cheremshanskoye program, was postponed due to a combination of the economic crisis and the COVID outbreak.

In May 2021 the L-2a well was successfully re-entered and a liner cemented in-place. The Upper Jurassic J1-1 and J1-2 reservoir intervals were perforated and tested. During several swabbing cycles the well started to flow a mixture of oil and water. A total of approximately 132 bbls of oil was recovered with a gravity of 33 degrees API. Inflow from the formation ranged from 100 to 300 bopd. The high water cut produced on test precludes oil from being produced at this field as there are currently no separation facilities on site. A decision was therefore made to suspend the well until separation facilities are in place. Further development of this field maybe challenging due to the high water cut encountered in testing of the L-2a well.

Licence 61

The Company holds a 50% operated interest in this licence with our partner Oil India Limited ("OIL") holding the remaining 50%. The licence contains four producing fields: Lineynoye, West Lineynoye, Arbuzovskoye and Sibkrayevskoye (which historically produced only during the winter months but is now producing year-round). A fifth field – Tungolskoye, was shut in during 2020 for economic reasons. In addition to these fields the licence also contains several attractive low risk potentially material exploration prospects.

We are particularly excited about the development, appraisal, and exploration opportunities within the 'Northern Hub' area. This is an area close to the existing Central Processing Facilities and includes the Sibkrayevskoye and West Lineynoye fields and the material Emtorskaya prospect. The Sibkrayevskoye and West Lineynoye oil fields also contain significant development potential.

The Emtorskaya prospect up dip of the Lineynoye field is a low-risk aerially extensive infrastructure led prospect which on success could be tied in quickly to the Central Processing Facilities Unit located 16 kilometres to the south. The prospect was partly tested by two Soviet Era wells which have been re-interpreted as potential missed oil zones.

The Sibkrayevskoye and West LIneynoye fields and Emtorskaya prospect all exhibit similar geology and analogous reservoir characteristics to the successful Lineynoye field.

In addition to the Emtorskaya prospect, there are a further two high graded exploration prospects located in the southern half of the licence, Traverskaya and Tuganskaya; both previously tested by Soviet Era wells. The well data has been re-interpreted and indicates potential missed oil zones.

The strategy for value creation at Licence 61 is:

- Resolve the long running tariff dispute with Nord Imperial to enable the Company to re-establish production from Licence 61 at a commercially attractive rate to improve the attractiveness of future investment.

- Continue to optimise existing field production through; careful management and optimisation of water flood programs, as well as the application of other low risk production enhancements such as fracking.

- Develop low-risk development and appraisal opportunities in the Northern Hub, comprising the Sibkrayevskoye and West Lineynoye fields. Additional production from further development can be brought online quickly through existing infrastructure.

- Prove up the Emtorskaya prospect which on success has the potential to significantly increase reserves, production, and cash flow for PetroNeft.

- Extract the value of additional exploration prospects in the southern half of the licence, particularly Traverskaya and Tuganskaya.

Lineynoye field

During 2021, the wells at Lineynoye continued to perform consistently, with production increasing by 15.1% from 533 bopd in 2020 to 638 bopd in 2021. The continued improvement in field performance is the result of the work started in 2019 and continued through 2021. This included: improving the sweep efficiency of the water flood; working efficiently to keep wells online and to intervene where necessary; implementing a very successful well stimulation program on the L-115 well during Q1 2021. The results from this single well program saw production increase from an average of 20 bopd to over 80 bopd post reservoir stimulation. Due to the success of this program on a single well, a much expanded five well program was successfully carried out during Q1 2022.

The geology of the Lineynoye field is very similar to the Sibkrayevskoye field to the east and the Emtorskaya prospect to the north. We believe that we can translate the operational and production success achieved at the Lineynoye Pad 1 development to the Sibkrayevskoye field and Emtorskaya prospect. We have termed this area the "Northern Hub" due to similarities in geology and proximity to the Lineynoye field where the Central Processing Facility is located.

West Lineynoye field

We have been producing from two vertical wells and one horizontal well since 2015 with minimal decline in production and almost no water cut. Production in 2021 was 161 bopd (2020: 176 bopd), this represented an 8.3% decline. Most of this decline was due to pump failure in the L-7 well early in 2021. Due to the remote location, the pump was not replaced until the winter roads were available in early 2022.

Based on the successful L-10 horizontal well (drilled 2015), which has had zero decline during the past six years, combined with the experience gained drilling horizontal wells at Tungolskoye and Arbuzovskoye Pad 2, we believe we can attain higher production rates at West Lineynoye by drilling longer 500m to 1,000m horizontal wells. The development of the L-8 Lobe of the Lineynoye field known as West Lineynoye, is a prime candidate for future investment utilising horizontal wells. We have the existing infrastructure already in place tying the L-8 Lobe to the Central Processing Facilities which results in the economics of such a development being very robust.

Sibkrayevskoye field

The field has performed very well since building the connection to the Central Processing Facility during Q1 2020 and carrying out a well stimulation program at the S-373 well during Q1 2021. The well stimulation program initially resulted in production increasing from 250 bopd up to 520 bopd. However, the average gross daily production rates for fiscal 2021 were affected by pipeline blockages after the reservoir stimulation program so the average daily production for 2021 was 294 bopd (2020: 214 bopd), an increase of 37.8%.

We have continued to review the geology of this field and recognise that it is very similar to Lineynoye where the Pad 1 wells have been outstanding producers. The main reservoir in this field comprises a channelised reservoir system which is laterally variable and explains the past well history. These channel systems can be visualised using 3D seismic data. We are therefore looking at the potential to acquire 3D seismic ahead of any further development drilling to ensure we target reservoir sweet spots which will significantly de-risk further capital allocation.

Arbuzovskoye field

Production in 2021 continued to naturally decline with average gross daily production of 559 bopd (2020: 607 bopd). Much of this decline was from the A-214 well. The focus has therefore been to try to arrest the decline due to the lack of pressure support at this southern part of the field.

During Q1 2020 we started injecting additional water into the A-216 well on the southern part of the field close to the A-214 Hz well. During the second half of 2020 and into 2021 we started to see the benefits of the new injection with a reduction in the decline rate at this well.

Whilst production from the other producing wells remains stable, we are looking at ways to further enhance production through optimisation of the water flood program across the field.

Chief Executive Officer's Report *(continued)*

Tungolskoye

As part of the ongoing financial review of our operations, we took the difficult decision in 2019 to divert resource and capital away from the field as production levels could not justify economic production. During 2021 there was no production from the field. In 2020 the field produced 2,905 bbls prior to the field being shut in.

Whilst it is disappointing that we had to suspend production, especially after so much capital had been used to develop the field, it is critical that we focus on economic viability to prioritise and guide capital allocation on our fields. The geology of this field is particularly complex with the reservoir not being of the same quality as in our adjacent producing fields. Currently we are reviewing all possible options to investigate if economic production can be restored.

Exploration and Appraisal

The overwhelming exploration focus on the near term is the material Emtorskaya prospect (which lies within the "Northern Hub"). Miller and Lents reviewed this prospect as part of the recent reserves audit and calculated a Pmean un-risked resource of 96.2 mmbbls (gross) and estimated a geological chance of success of 50% with a P10 potential un-risked resource of 235.3 mmbbls (gross).

The prospect is aerially extensive (up to 146 km^2) and structurally 65 m higher and up-dip from the Lineynoye field with similar geological characteristics. Two wells (E-300 and E-303) were drilled on the structure during Soviet times and have been re-interpreted with potential missed oil zones being identified within the Upper Jurassic in both wells. We believe that the Emtorskaya structure could be a significant up-dip extension of the Lineynoye field. The Pad 1 drilling campaign and results at the Lineynoye field has been a great success which we believe could be replicated at Emtorskaya. Economically proving up this resource potential would add material value due to its scale and proximity to existing production facilities where there is abundant spare capacity. The primary reservoir target is analogous to that found in the S-373 well at the Sibkrayevskoye field. The encouraging results at Sibkrayevskoye field where we have stable production has been further enhanced by recent reservoir stimulation of the S-373 well providing further encouragement of the potential value of this prospect.

In addition to Emtorskaya, there are an additional 25 prospects located in the southern half of the license, estimated to potentially contain a combined gross 143.62 mmbbls (Ryder Scott 2016) of un-risked prospective resource. Of particular interest are the Traverskaya and Tuganskaya prospects. Re-processing and re interpretation of old well data has identified potential missed pay at various intervals in the Jurassic and Cretaceous intervals.

Licence 61 and 67 Reserves and Resources report

Miller and Lents completed its assessment of the Company's petroleum reserves and resources with an effective date of 30 July 2021, in accordance with the standards of the Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE-PRMS). This is the first reserves and resource audit since Ryder Scott completed their assessment in 2016 for Licence 61 and since 2011 for Licence 67.

The following table show a comparison of the net attributable reserves due to the Company, between the legacy audits carried out by Ryder Scott (adjusted for actual production) and the current Miller and Lents report. Such a comparison is partly complicated by updates to the PRMS standards, which have impacted the categorisation of the Emtorskaya prospect in Licence 61.

Chief Executive Officer's Report *(continued)*

All metrics in mmbbls	Ryder Scott 2011/16			Miller & Lents 2021		
Licence	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible
67	1.5	14	17.4	4.3	24.5	71.7
61	14.2	49.4	86.8	12.2	24.2	35.5
Total(s) 100% basis net to PTR	**15.7**	**63.4**	**104.2**	**16.5**	**48.6**	**107.2**

The Miller and Lents report, also underlined the following key valuation metrics

The Proved and Probable (2P) NPV @10% has increased significantly from $255.7M in 2011/16 to $522.2M as of 30 June 2021 (net to PetroNeft, Licence 61 and 67 combined). The increased valuation is mainly a reflection of the materially improved long term oil pricing environment both internationally and domestically within Russia since the last report. The total valuation uplift is further increased by the recent acquisition of an additional 40% interest in Licence 67 in 2021.

NPV10 US$(M)	Gross		Net Attributable	
Licence	Proved	Proved & Probable	Proved	Proved & Probable
67	50.2	281.9	45.2	253.7
61	266.3	537.0	133.1	268.5
Total(s)	**316.5**	**818.9**	**178.3**	**522.2**

Significant low risk prospective resource estimate for Licence 61 - Emtorskaya prospect, Gross Pmean 96.19 Mmbbls with a geological Chance of Success of 49.7%, and Gross P10 upside of 253.35 Mmbbls

The Miller and Lents report underlines the importance and value of License 67 for the Company's future, with the 2P and 3P gross reserves largely driven by the newly producing Cheremshanskoye field and further upside now recognised, supporting the Company's strategy with dual focus on Licence 61 ad 67.

Miller and Lents have also estimated additional net Contingent resource (3C) of 23.74 Mmbbls (22.06 Mmbbls in Licence 67 and 1.68 Mmbbls in Licence 61) and net Pmean prospective resources for the Emtorskaya prospect of 48.09 Mmbbls (Gross 96.18 Mmbbls with a 49.7% geological chance of success).

All metrics in Mmbbls	Gross			Net Attributable to PetroNeft		
Licence	1C	2C	3C	1C	2C	3C
67	0.57	3.39	24.51	0.51	3.05	22.06
61	0.50	1.47	3.37	0.25	0.74	1.69
Total(s)	**1.07**	**4.86**	**27.88**	**0.76**	**3.78**	**23.75**

Chief Executive Officer's Report *(continued)*

In 2016 Ryder Scott evaluated an additional 25 prospects located in the southern half of license 61 and estimated to contain a combined 143.62 mmbbls of gross prospective resource. Of particular interest within this southern area are the Traverskaya and Tuganskaya prospects. Re-processing of the old well data has identified potential missed pay at various intervals in the Jurassic and Cretaceous intervals. In 2021 Miller & Lents evaluated the Emtorskaya prospect but did not re-evaluate the southern prospects previously evaluated by Ryder Scott, given no meaningful new information/data was available, and so currently Management have assumed those resource estimates are still valid.

Conclusions

The Company is demonstrating the benefits of a strategic focus on technical and operational excellence, combined with a rigorous emphasis on cost control, increasingly managed by a motivated knowledgeable in country team. Whilst there are certain challenges caused by recent events in the Ukraine combined with the ongoing dispute with Nord Imperial, we are pleased to see that the Company continues to perform well at an operational level.

I am therefore cautiously optimistic that the various opportunities we are working can deliver improved shareholder value going forwards. It is particularly encouraging to see the Company achieving several operational successes throughout 2021 providing further confirmation of our understanding and execution of our asset potential. In addition, the Miller & Lents report findings are truly encouraging in terms of providing an independent confirmation of the significant latent value within the Company, by a highly respected consultant with considerable experience looking at similar assets in both the basin and jurisdiction.

Whilst we are focused on developing the stable of opportunities within the Company, we continue to look at other opportunities both within and external to the Russian Federation.

I would like to take this opportunity to thank our shareholders for their patience and support. I would also like to thank all our staff for their professionalism, commitment, and dedication through last year. Their hard work and commitment combined with the continued support from our shareholders has enabled the Company to survive and position us to look forward to the future.

David Sturt
Chief Executive

Financial Review

Review of PetroNeft consolidated income statement for the year

The gross profit for the year was US$1,406,548 (2020: US$254,964)

Operating losses totalled US$2,925,830 (2020: US$780,076), the increase primarily resulting from an impairment charge on exploration and evaluation assets of US$2,900,732 (2020: Nil), arising on a first-time consolidation of Russian BD Holdings B.V.

The loss after taxation for the year was US$4,871,064 (2020: US$4,541,861).

The loss included the Company's share of the joint venture's net loss in WorldAce Investments of US$4,964,655 (2020: US$5,737,042). The improvement in the Company's share of joint venture net loss arose as revenues improved to US$29,992,441 from US$16,719,562 in 2020. This improvement arose as both demand and pricing metrics recovered post the worst effects of the global shut down due to the Covid pandemic.

In addition, the share of the joint venture's net loss in Russian BD Holdings, are included for the 2-month period ending 28 February 2021 US$ 126,031 (2020: US$705,249). Post-acquisition of an additional 40% equity in Russian BD Holdings B.V., by the Company the results of Russian BD Holdings B.V., are fully consolidated within the reported financial statements as and from 1 March 2021. Please see Note 15 for further breakout of Russian BD Holdings B.V. contribution to the below mentioned results.

PetroNeft Consolidated Income Statement	**2021**	**2020**
Continuing operations	**US$**	**US$**
Revenue	5,815,255	1,695,524
Cost of sales	(4,408,707)	(1,440,560)
Gross profit	**1,406,548**	**254,964**
Administrative expenses	(1,431,446)	(1,035,040)
Impairment of exploration and evaluation assets	(2,900,732)	-
Operating loss	**(2,925,830)**	**(780,076)**
Share of joint venture's net loss -WorldAce Investment Limited	(4,964,655)	(5,737,042)
Share of joint venture's net loss – Russian BD Holdings B.V.	(126,031)	(705,249)
Finance Income	2,855,639	3,583,166
Finance costs	(803,558)	(432,362)
Fair value gain on financial derivatives	20,197	-
Unrealised gain on business combination	3,432,730	206,044
Profit/(Loss) on equity settlement of financial liabilities	(1,753,874)	218,898
Profit/(Loss) on modification of financial liabilities	354,194	218,898
Loss for the year for continuing operations before taxation	**(3,910,988)**	**(3,646,621)**
Income tax expense	(960,076)	(895,240)
Loss for the year attributable to equity holders	**(4,871,064)**	**(4,541,861)**
Loss for the period attributable to:		
Owners of the Parent	(4,867,482)	(4,541,861)
Non-Controlling Interest	**(3,582)**	**-**
	(4,871,064)	**(4,541,861)**

Financial Review (continued)

Revenue
Substantial increase in 2021 consolidated revenue to US$5,815,255 from US1,695,524 in 2020. The increase is primarily accounted for by the first-time consolidation of crude oil sales of US$4,612,435 (2020:US$0), post-acquisition of an incremental 40% equity holding in Russian BD Holdings B.V, as and from 1 March 2021, (2020: Nil). For further information on the breakout of the Revenue amount, refer to note 5 in the Annual Report.

Income of PetroNeft Group as Operator of Licence 61 and Licence 67
PetroNeft performs the role of operator for both the licences 61 and 67 joint ventures. This means that PetroNeft employees and management are responsible for the day to day running of both Licences. Major strategic and financial decisions relating to Licence 61 require unanimous approval by both joint venture partners.

As operator, PetroNeft Holding is entitled to charge certain administrative, management and technical costs to its joint venture WorldAce Investments Limited and its 90% subsidiary Russian BD Holdings B.V. The costs associated with this revenue are included in cost of sales. In 2021 PetroNeft Group charged a total of US$433,409 (2020: US$895,590) in respect of such management services. PetroNeft also owns a construction company, Granite Construction; which carries out ad hoc construction projects such as well pads and on-site accommodation on both licences as well as maintaining the winter road network each year. In 2021 Granite Construction charged the WorldAce Group US$769,411 (2020: US$799,934) in respect of these services.

Administrative expenditure showed an increase year on year of 38.3%, which was attributable to the first-time consolidation of Russian BD Holding B.V. as and from 1 March 2021. Excluding this sum of US$ 474,039, the year-on-year comparative showed a decline in administrative expense of 7.4% as the Company benefitted from the reversing of expenses previously booked. The Company continues its laser focus on reducing costs and bolstering its cashflow across the Group. As per Note 34, the Directors and management agreed to reduce and defer significant portions of their remuneration; as at 31 December 2021 a total of US$225,666 (2020: US$1,049,092) had been deferred by the Directors and senior management.

Of the 2020 accrual, a total of $658,802 was settled through director participation in the Convertible debt raise of March 2021, part of which in the amount of US$361,856 was subsequently converted into equity in April 2021.

Most of the Finance income relates to interest receivable on loans to the joint ventures. During 2021 PetroNeft recognised interest income of US$2,780,253 (2020: US$3,142,150) on its loans to WorldAce Group and US$65,896 (2020: US$440,822) on its loans to Russian BD Holdings B.V pre consolidation.

Finance Costs
Finance costs relate to interest payable on loans from Petrogrand AB, and on separate convertible loans issued in June 2019 of US$1,300,000 and US$2,903,802 concluded in February 2021. In addition, on first time consolidation of Russian BD Holdings B.V. a loan became payable to Belgrave Naftogas B.V. in the sum of US$1,737,880 and a further loan payable to Belgrave Naftogas B.V, arising out of funding provided to the Company on the acquisition of an additional 40% equity holding in Russian BD Holdings B.V., in the sum of US$1,700,000.

The loan from Petrogrand AB was automatically extended to 15th December 2022 as the result of contractual performance by PetroNeft. The final redemption date is currently the earliest of (a) 15th December 2022 or (b) the date of completion of the License 61 sale or (c) the date of completion of License 67 sale. Petrogrand AB is also entitled to a share in the proceeds of any sale of assets. 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. The fees will be paid upon the completion of the sale of License 61 and or License 67, on or before 31st December 2024. For more details see Note 38.

The convertible loans are unsecured. The 2019 convertible loan has a maturity date of 31 December 2022, and the 2021 convertible loan has a maturity date of 11 March 2023. The loan acquired as part of the first-time consolidation of Russian BD Holdings B.V has a final maturity date of 31 December 2025, and that provided to the Company to fund the acquisition of shares in Russian BD Holdings B.V. by Belgrave Naftogas B.V., has a final maturity date of 5 March 2024.

Financial Review (continued)

Unrealised gain on business combination
Relates to the unrealised gain of US$3,432,730 arising on the transition of Russian BD Holdings B.V. from a joint venture equity investment to a subsidiary following the Company's acquisition, of an additional 40% equity stake. On acquisition as part of the accounting treatment, the initial 50% equity interest and respective loans advanced by PetroNeft, were marked to fair value, together with applicable foreign exchange losses. For more detail on this transaction see Note 10.

Profit on modification of financial liabilities
Profit on modification of financial liabilities of US$354,194 (2020: US$218,898), relates to the accounting profit booked on the agreed extension of the final maturity dates of the Petrogrand Loan and the 2019 Convertible debt.

Loss on equity settlement of Financial Liabilities
Relates to the implied loss of US$1,753,874 in accordance with IFRS 2 Share based payments, where the agreed exercise price of the shares transferred was lower than the market price at time of exercise. During 2021, a total of 232,435,872 shares were issued in satisfaction of US$3,551,748 convertible debts owing and US$1,200,000 to part fund the extra 40% shareholding in Russian BD Holdings B.V.

Review of Statement of Financial Position as at 31st December 2021.

Oil and Gas Properties, Property Plant and Equipment, Exploration and Evaluation Assets, Assets under Construction, and Intangible Assets
Amounts recorded here, arose from the first-time consolidation of the assets held by Russian BD Holdings B.V.

Financial Assets- loans
The balance reported in the Statement of Financial Position under Financial Assets, represents the loans to joint venture WorldAce Investment Limited of US$20,734,834 (2020: US$23,221,764). During the year PetroNeft made advances totalling US$1,657,561 (2020: US$1,677,210) to include PetroNeft head office charges and construction services performed by Granite LLC to WorldAce Investments Limited to support the continued development of the assets. Interest Income from WorldAce Investment Limited of US$2,780,253 was accrued but not paid. The total advances and fee income were offset by the share of losses of PetroNeft's joint venture operations WorldAce Investment Limited of US$5,267,183. For more details see Notes 13,22 and 34.

Trade and Other Receivables
There was a significant reduction in Trade and Other Receivables of US$1,402,877. As at 31 December 2021, US$1,126,054 (2020: US$2,528,931). The primary reason for the reduction in receivables was the decrease in the receivable amounts owed from PetroNeft's joint venture business with WorldAce Investment Limited, which was reduced to US$938,030 (2020: US$1,879,475). In addition, on first time consolidation of Russian BD Holdings B.V., inter group receivable balances were eliminated. For more details see notes 24 and 34.

Called Up Share Capital and Share Premium Account
During 2021 a total of 232,435,872 ordinary shares were issued. In addition to the issuance of 80 million ordinary shares to fund the acquisition of the 40% extra holding in Russian BD Holdings B.V., the shares issued led to a substantial debt retirement under 3 loan agreements:

- The 2019 convertible loan principal was reduced by US$845,000
- The 2021 convertible loan principal was reduced by US$1,856,748
- The loan provided by Belgrave Naftogas B.V to the Company to support the acquisition of an additional 40% holding in Russian BD Holdings B.V was reduced by US850,000.

For more details see note 29.

Financial Review (continued)

Interest Bearing Loans and Borrowings

Movement in Interest Bearing Loans and Borrowings can be accounted for as follows:

- Automatic extension of the Petrogrand AB Loan redemption date from 15 December 2021 to 15 December 2022.
- Conversion rights on 2019 Convertible loan of US$1.3M, amounting to US$0.845M exercised by all 5 lenders.
- In 2021, PetroNeft secured a convertible loan of US$2.9M, redemption date 11 March 2023, from a group of 13 lenders.
- During 2021, 9 of the 13 contributors to the 2021 Convertible loan, exercised their rights to covert US$1.85M to equity.
- The acquisition of the extra 40% holding in Russian BD Holdings B.V. by the Company was part financed by the granting of a US$1.7M convertible loan by Belgrave Naftogas B.V. to PetroNeft with a maturity date of 5 March 2024.
- During 2021Belgrave Naftogas B.V. exercised their right to convert 50% of the loan principal to equity.
- Consolidation adjustment now includes, the agreed loan balance owing to Belgrave Naftogas B.V, by Russian BD Holdings B.V. is now reported within the Interest-bearing loans and borrowings section.
- At year end the reported balance outstanding is US$1.8M, with final maturity date is 31 December 2025.

Key Financial Metrics – WorldAce Group

Because of the equity method of accounting for joint ventures that applies to PetroNeft's interest in WorldAce, listed below are the metrics which are an extraction from the audited financial statements of the WorldAce Group and give an indication as to the performance of Licence 61:

	WorldAce Group 2021 US$	WorldAce Group 2020 US$
Continuing operations		
Revenue	29,912,441	16,719,562
Cost of sales	(28,649,622)	(17,465,594)
Gross profit	**1,262,819**	**(746,032)**
Administrative expenses	(4,144,337)	(2,515,578)
Operating profit/(loss)	**(2,881,518)**	**(3,261,610)**
Finance income	90,803	35,745
Finance costs	(7,138,593)	(7,985,620)
Loss for the year for continuing operations before taxation	**(9,929,308)**	**(11,211,485)**
Income tax expense	-	(262,599)
Loss for the year	**(9,929,308)**	**(11,474,084)**
Loss for the year	(9,929,308)	(11,474,084)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Currency translation adjustments	(605,059)	(13,471,473)
Total comprehensive loss for the year	**(10,534,367)**	**(24,945,557)**
PetroNeft's share of the Loss for the year	(4,964,655)	(5,737,042)
PetroNeft's share of the currency translation adjustments	(302,530)	(6,735,737)
PetroNeft's Share 50%	**(5,267,184)**	**(12,472,779)**

Net Loss – WorldAce Group
PetroNeft's share of the WorldAce Group net loss for the full year declined to US$4,964,655 (2020: US$5,737,042) during 2021. The following factors contributed to the reduction in the share of WorldAce Group net loss:

- The significant gross margin improvement was due to the increased production volume of 5.81%, plus the rebound in average price per barrel of oil sold to US$50.86 (2020: US$28.15) post economic activity returning to more normal levels after the Covid pandemic.
- The gross margin improvement was mitigated by the increased administrative expenses, which was largely driven by accrual of a provision in the sum of US$1,673,549 (2020: 317,026), because of an ongoing legal action against Nord Imperial LLC arising out of dispute as to the calculation of transit tariffs and oil storage rates.
- Financing costs are lower, due to a lower average LIBOR rate in 2021 versus 2020,
- No tax charge has been accrued in the year.

Of the US$7,138,593 in interest payable by WorldAce, US$2,780,253 is payable to PetroNeft. (2020 US$7,985,620/US$3,142,150)

Revenue, Cost of Sales, and Gross Margin – WorldAce Group
Gross Revenue from oil sales was US$29,912,441 for the year (2020: US$16,719,562). Cost of sales includes depreciation of US$1,125,173 (2020: US$1,256,822), which was lower mainly due to due to the release of the new independent Miller and Lents report with an effective date of 31 July 2021 and released in December 2021. The report provided an updated assessment of the overall reserve base and, given our Oil and Gas Property assets are written off on a unit of production basis, any verified adjustment to our reserve base had a corresponding follow-on adjustment to our depreciation charge per unit of production.

The gross margin significantly improved during the year to a reported profit of US$1,262,819 (2020: US$746,032 loss) due to a significant increase of 81% in the average price per barrel, as global market conditions improved. Cash operating costs per barrel, as per page 9 above, were for the reporting period US$16.2 (2020: US$14.3 per barrel). Slightly higher, in line with expectations as most overhead lines showed minimal increases year on year. We would expect the gross margin to continue to improve in future periods as our facilities and field operations are fully staffed and can handle additional production from the Sibkrayevskoye oil field. We produced 603,655 barrels of oil (2020: 570,510 barrels) in the year and sold 588,133 barrels of oil (2020: 593,840 barrels) achieving an average oil price of US$50.86 per barrel (2020: US$28.15 per barrel). In 2021, Licence 61 sold most of its oil on Russian's domestic market and started oil exports, which have been increasing since.

Finance Costs – WorldAce Group
Gross Finance costs of US$7,138,593 (2020: US$7,985,620) mainly relates to interest on loans from PetroNeft and Oil India.

Taxation – WorldAce Group
The tax charge accrued in the year is Nil (2020: US$262,599).

Current and Future Funding of PetroNeft Group
While there were consolidated net current liabilities at the year-end of US$2,600,480 (2020: US$3,416,497). Historically the Company has consistently shown its ability to secure Shareholder funding and proactively works with its lenders in obtaining loan maturity extensions and securing new funding as required. In particular, the last Convertible debt funding in February 2021, which secured US$2,903,802 demonstrated the continued support of institutional investors, the largest shareholders, the Directors, and Senior Management. In addition, the acquisition of a further 40% equity holding in Russian BD Holding B.V, was part funded by the seller Belgrave Neftogaz B.V. granting a convertible loan to the Company. However, given the current situation and the imposition of sanctions particularly targeting the Oil and Gas sector, the current climate for raising finance is more challenging and will only happen when the Company is not seen to break sanctions either directly or indirectly.

The Company continues to drive its cost cutting program across the Group and the Directors and Management have agreed to reduce and defer significant portions of their remuneration. Note 34 outlines the amounts owed to the Board and management in this regard.

The loan facility from Swedish Company Petrogrand AB was due to mature on 15 December 2021. However, the maturity date has been automatically extended to 15 December 2022, given the Company met the pre-agreed milestones.

Financial Review *(continued)*

In the event of a possible sale, it is expected that all loan facilities would be repaid from the proceeds of sale of one or both Licences.

As reported by the Company on 29th August, oil produced from Licence 61 is currently not able to be shipped to market. The operator of the pipeline which takes the oil produced from Licence 61 to the Transneft Entry point suspended acceptance of our oil. This suspension is the culmination of a tariff dispute which started back in 2015. We are working with all stakeholders to try and resume shipment of our oil but only on commercially viable terms. Whilst we are optimistic about reaching an amicable settlement with Nord Imperial, there remains a material uncertainty over the capacity of that business to continue as a going concern, given current revenues from Licence 61 is reduced to zero, and accordingly any capacity to fund the operations, or leverage the asset to raise finance is minimal. However, the operations of Licence 67 are not affected, and the execution of a successful development drilling program should enable the PetroNeft to leverage that success to raise further capital if needed.

Going Concern

Cash on hand.
As at 31st December 2021, PetroNeft Group had cash and cash equivalents of US$915,602 (2020: US$101,028). A comprehensive review of all cash inflows and outflows is contained in the Consolidated Statement of Cash Flows on page 45 of the Annual Accounts.

Improving liquidity in the near term.
PetroNeft continues to enjoy the support of its principal shareholders and lenders, as evidenced by the recent $2,903,802 Convertible debt fund raise in February 2021, analysed as to US$2,245,000 cash receipts and US$658,802 in retirement of fees owing to directors and senior management. In addition, existing loan facility maturity dates have been extended by mutual agreement. During 2021, from convertible debt in issue with a face value of US$5,903,802, a sum of US$3,551,748 was converted by the lenders into Ordinary Shares of the Company.

Controlling expenditure.
PetroNeft manages expenditures on an entity level basis and within each entity, by nature of expense and by need. There is active engagement with all stakeholders and continuous cost improvements are sought. During the Covid pandemic, payments of key payables were extended, staff took voluntarily pay deferrals, of in some cases up to 50%. Capex is allocated to projects based on an assessment of future cash flows, combined with the analysis of risks, which generate the quickest payback. Where possible the build out of key projects such as the mini refinery is done in house and accordingly minimizes third party fees and overhead.

Proactive liquidity management and cost control.
Include the following:

- The loan facility agreement with Alexandrovskoye Refinery (AOR), which was secured to fund the construction of an all-season road to the C-4 well on Cheremshanskoye, remains open, given the construction costs were funded internally by PetroNeft's own resources and potentially the facility could be used to develop further value accretive projects.
- PetroNeft has invested in appropriate above ground infrastructure to support the expected development of its reserve inventory. The legacy infrastructure has capacity for 14,700 barrels per day. Production in 2021 was 1,897 barrels per day (2020: 1,563).
- A mini refinery construction completed in Q4 2020, enabling significant savings and efficiencies on diesel overhead occurring inhouse, plus the added opportunity to generate revenues from third party sales.
- PetroNeft prepares Monthly projected Cashflow statements and monitors actual monthly performance back against forecast. Monthly Cashflow forecasts are prepared to 31 December 2023. Oil deliveries are secured with prepayments where possible.
- PetroNeft through its subsidiaries and Joint Venture Company has successful worked with the local tax authorities in designating its operations as small to medium sized enterprises, thereby minimizing expenditure on both corporate and employment taxes.

As announced by the Company on the 29 August, a) the unilateral suspension of acceptance of our oil from Licence 61 by Nord Imperial LLC and efforts to seek an amicable settlement, b) the ability to re-finance the Petrogrand loan and the 2019 and 2021

Financial Review *(continued)*

convertible loans , c) the uncertainty and geopolitical tensions arising from the Russian / Ukrainian conflict, d) the capacity to remit monies across borders, e) together with clarity on the capacity of the business to raise finance of US$0.3M and US$0.65M in December 2022 and May 2023 respectively, f) and emerging climate related matters, represents material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern as described in Note 2 to the Consolidated Financial Statements. The Company has solid business relationships with all its stakeholders, monitors the impact of climate related on its operations and resultant financial statements and is confident of the ability of the company to continue and prosper.

Focussed asset management and capital allocation
PetroNeft continually updates its operational plan, supported with a detailed capex plan, such that it can allocate capital and resource in a manner to optimise future value.

- Sibkrayevskoye and West Lineynoye fields in Licence 61
- Cheremshanskoye and Ledovoye oil fields in Licence 67
- Exploration Prospects such as Emtorskaya, which lies north of the Lineynoye field in Licence 61.

PetroNeft manages its workover program to both reverse declining production and identify sweet spots in its drilling program.

Principal risks and uncertainties
The Board monitors all risks to PetroNeft on a regular basis using information obtained or developed from external and internal sources and will take actions as appropriate to mitigate these. PetroNeft utilises a risk management approach that identifies key business risks and measures to address those critical to our operating environment in Russia. Other significant elements of the risk management approach include regular Board reviews of the business, a defined process for preparation, monitoring and approval of the annual work programme and budget, monthly management reporting, financial operating procedures and policy, due attention to HSSE and anti-bribery and corruption systems.

The principal risks and uncertainties affecting the Group and the actions taken by the management team to mitigate these risks and uncertainties are shown in the table below. The overall risk register is regularly reviewed by both the management team and the Board. The primary focus is to manage exposure to risk rather than eliminate the risk completely.

Risk Type	Risk Issue	Mitigation
Country Risks	Geopolitical – sanctions and the Russian / Ukrainian conflict.	Previous sanctions were directed at a very high-level Government officials and very high net worth individuals. With the onset of the Russia / Ukraine conflict the added sanctions, being more penal and universal in nature, are primarily directed at leading Russian financial institutions and the Oil and Gas sector. The Group proactively works with its advisors and stakeholders to ensure it does not breach sanctions, the laws, or regulations of the jurisdictions in which it operates.
	Political - federal risks	Fields/acquisitions below 500 million boe are not considered strategic by the government
		The federal government has a policy of encouraging small operators.
	Political - local risks	Tomsk Oblast administration is very supportive of development.
		Local management are well respected in region.
	Ownership of assets	Licences were acquired at government auctions. Work programme for Licence 61 is complete. Work programme for Licence 67 is not onerous.
		25-year licence term can be automatically extended based on approved production plan.
	Changes in tax structure	Fiscal system is stable - recent and proposed changes largely benefit upstream oil and gas companies. Both federal and regional authorities proactively amend the Mineral Extraction Tax rate in periods of

Financial Review *(continued)*

Risk Type	Risk Issue	Mitigation
		increased uncertainty as experienced with the Covid pandemic and the sanctions resulting from the Russia / Ukraine conflict. Participation in NEFT, a Moscow based organisation who actively advances the case for small scale producers in all areas, most notably proposed changes to the tax code
Technical Risks	Exploration risk	Proven oil and gas basin with multiple plays.
Technical Risk		Focused on lower risk production and development assets.
		Good quality 2D & 3D seismic.
		Knowledgeable technical and operational team with proven track record in the region.
	Drilling risk	Relatively shallow wells with proven technology and abundant adjacent drilling history which demonstrates no significant drilling challenges.
		In a market where the oil price is increasing, rig availability and pricing inflation becomes matters of concern, as operators seek fixed period contracts and payments in advance.
		Experienced operations team who has experience of drilling vertical and horizontal wells in the region.
		Avoid drilling wells low on structure that risk poor results.
	Production/Completion risk	Routine completion practices including fracture stimulation.
		Reserves high graded; extensive reservoir simulation and reservoir management undertaken.
	Reserve risk	Performance of similar adjacent fields in region.
		SPE and Russian reserves updated and in substantive alignment
Financial Risks	Availability of finance	Strong reserve base and key infrastructure in place to support production up to 14,700 barrels per day, supports Investment Case. Continually assess existing assets considering future capital needs from a disciplined lifecycle investment perspective. Strong and sustainable relationships with key shareholders. Strong financial stewardship-manage commitments and liquidity, monitor delivery of business plan, forecast and accuracy
	Oil price	Robust project sanction economics - conservative base case assumptions. Russian tax system means economics are less sensitive to changes in oil price. For example, the Mineral Extraction Tax system changes according to price thereby providing a natural cushion to price changes.
	Industry cost inflation	Rigorous contracting procedures with competitive tendering. Also, the relationship of the US Dollar: Russian Rouble exchange rate to the oil price provides a natural balance between costs and income.
	Uninsured events	Comprehensive insurance programme in place.
Covid 19	Business interruption	At the start of the pandemic, production was supported by a skeleton crew and crew changes were lengthened. PetroNeft actively worked to manage its cashflow. This included working with its suppliers and key third-party payables in rescheduling payments, staff in Tomsk voluntarily took salary cuts and deferrals up to 50%. Inventories on hand supported revenues during this time, and prices achieved in a very weak market were at the higher end of the average rates per barrel. All shipments were prepaid in advance. The Company enforced strict protocols around HSE.

Financial Review *(continued)*

	Risk Issue	Mitigation
Climate Risk	Asset impairment. Changes in the useful life and fair values of assets, example deterioration of winter roads. Effect on impairment calculations through increased costs and penalties. Adverse changes in expected credit losses (ECL) on financial assets, and contingent liabilities arising from fines. Increased provisions from onerous contracts.	The Company considers climate transition related matters in applying IFRS standards, when the effect of those matters is material in the context of the financial statements taken as a whole.
Other Risks	HSSE incidents	HSSE standards set and monitored regularly across the Group.
	Export quota	Equal access to export quotas available for all oil producers using Transneft.
		Conservative assumption in economics - domestic net back price now largely in alignment with export net back.
	Third party pipeline access	25-year transportation agreement in place for Licence 61, several options available for ultimate development of Licence 67.
	Transneft pipeline access/Nord Imperial pipeline access is unilaterally withheld.	On-going Tariff dispute with Nord Imperial which has resulted in production being temporarily suspended from Licence 61. If this remains unresolved it remains a material concern.
		East Siberia-Pacific Ocean ("ESPO") pipeline allows export of oil to Pacific market.

Significant Shareholders

The Company's share register was migrated post Brexit to Euroclear Nominees Limited (Belgium) from CREST U.K. as of and from March 15, 2021.

So far as the Directors are aware, the names of the entities, other than serving Directors, who directly or indirectly, maintain an interest of 3% or more of the Issued Share Capital as at 31 March 2022, as per the share register is as follows:

Name of Shareholder	Percentage	Shares
Natlata Partners Limited*	25.7%	275,503,451
J&E Davy	6.6%	71,128,048
Seguro Nominees Limited	5.4%	58,280,564

* Shares held by Natlata Partners Limited are beneficially owned by Maxim Korobov and the Directors are aware a further holding of 108,956,061 are held by Six Sis Olten AG for Maxim Korobov, bringing his total shareholding to 25.7%.

.

PetroNeft Resources plc

Directors' Report
for the year ended 31 December 2021

The Directors present herewith their Annual Report and the audited financial statements of PetroNeft ("PetroNeft", "the Company", or together with its subsidiaries and joint venture, "the Group") for the year ended 31 December 2021.

Principal Activity
The principal activities of the Group are that of oil and gas exploration, development, and production in Russia. The Group's assets are represented by two blocks being Licence 61 (50% interest, held through a joint venture, WorldAce Investments Limited, a Cypriot registered entity) and Licence 67 (90% interest, held through Russian BD Holdings B.V. an entity registered in the Netherlands). A detailed business review is included in the Chairman's Statement, Chief Executive Officer's Report, and the Financial Review.

Results and Dividends
The loss for the year before tax amounted to US$3,910,988 (2020: US$3,646,621). After a tax charge of US$960,076 (2020: US$ 895,240) the loss for the year amounted to US4,871,064 (2020: US$4,541,861). The Directors do not recommend payment of a final dividend and no interim dividend was paid.

Review of the Development and Performance of the Business
In compliance with the requirements of the Companies Act 2014, a fair review of the performance and development of the Group's business during the year, its position at the year-end and its prospects is contained in the Chairman's Statement on pages 7 to 9, the Chief Executive Officer's Report on pages 10 to 18 and the Financial Review on pages 19 to 27. The key financial metrics used by management are set out in the Financial Review on page 22.

Corporate Governance.
The Company is not subject to the UK Corporate Governance Code applicable to companies with full listings on the Dublin and London Stock Exchanges. The Company has adopted and intends, in so far as is practicable and desirable, given the size and nature of the business and the constitution of the Board, to comply with the 2018 QCA Corporate Governance Code (the "QCA Code") as published by the Quoted Companies Alliance (the "QCA"). PetroNeft is a member of the Quoted Companies Alliance.

The QCA Code was devised, in consultation with several significant institutional small Company investors, as an alternative corporate governance code applicable to Small and Mid-Size Quoted Companies. An alternative code was proposed because the QCA considered the UK Corporate Governance Code to be inappropriate to many Small and Mid-Size Quoted Companies.

The QCA Code states that "Good corporate governance inspires trust between a public Company and its shareholders; it creates value by reducing the risks that a Company faces as it seeks to create growth in long term shareholder value. Without trust, there will be no appetite from shareholders to invest further or remain shareholders. In reducing the risks, so the cost of capital is reduced." The guidelines set out a code of best practice for Small and Mid-Size Quoted Companies. Those guidelines require, among other things, that:

a) certain matters be specifically reserved for the Board's decision.
b) the Board should be supplied in a timely manner with information (including regular management financial information) in a form and of a quality appropriate to enable it to discharge its duties.
c) the Board should, at least annually, conduct a review of the effectiveness of the Company's system of internal controls and should report to shareholders that they have done so.
d) the roles of Chairman and Chief Executive should not be exercised by the same individual or there should be a clear explanation of how other Board procedures provide protection against the risks of concentration of power within the Company.
e) the Company should have at least two independent Non-Executive Directors on the Board and the Board should not be dominated by one person or group of people. The roles of independent Non-Executive Directors are held by Anthony Sacca and the recent appointment of Eskil Jersing.
f) All Directors should be submitted for re-election at regular intervals subject to continued satisfactory performance.
g) The Board should establish audit, remuneration and nomination committees; and

Corporate Governance (continued)

h) there should be a dialogue with shareholders based on a mutual understanding of objectives.

PetroNeft, where practicable, adheres to these requirements. Major corporate decisions of the Group are subject to Board approval. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. These matters include approval of the Group's general commercial strategy, financial statements, Board membership, significant acquisitions and disposals, major capital expenditures, overall corporate governance and risk management and treasury policies. The Company holds regular Board meetings throughout the year.

In accordance with the QCA Code and, in respect of the Audit Committee, in accordance with Section 167 of the Companies Act 2014, the Board has established Audit, Remuneration and Nomination Committees, as described below, and utilises other committees as necessary to ensure effective governance. In December 2021 the Company approved the establishment of an Environmental, Social and Governance committee to support a sustainable business and development plan.

In addition to the above mentioned, for a more comprehensive review of how PetroNeft conforms with the 10 Quality Code Assurance principles please refer to pages 111-120 of this Annual accounts pack. Alternatively, the principles and how PetroNeft implements them, can be found by logging on to the PetroNeft website by clicking on the following link: http://PetroNeft.com/investor-relations/rule26/.

Financial Risk Management

The Board sets the treasury policies and objectives of the Group, which include controls over the procedures used to manage financial risk. The Group's activities expose the Group to a variety of financial risks including foreign currency, commodity price, credit, liquidity, and interest rate risks. These financial risks are managed by the Group under policies approved by the Board. Details of the Group's financial risk management policies are set out in detail in Note 31 to the financial statements

Audit Committee

The members of the Audit Committee are non-executive directors, Anthony Sacca (Chairman), and Alastair McBain. The Audit Committee is responsible for ensuring that the financial activities of the Group are properly monitored, controlled, and reported on complying with relevant legal requirements. The committee receives and reviews reports from management and the Group's auditors relating to the Group's report and accounts, the interim results and review of the accounting policies. Meetings are held at least two times a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the Annual Report remains with the Board of Directors. The committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work. The committee authorises any non-audit work to be carried out by the external auditors. The external auditors did not undertake any non-audit work during the current year and the committee is satisfied that the objectivity and independence of the external auditor has not been impaired in anyway by any other factors.
The committee, with management, reviews the effectiveness of internal controls.

Remuneration Committee

The members of the Remuneration Committee are Alastair McBain (Chairman), and Anthony Sacca. The Remuneration Committee's responsibilities include, among other things, determining the policy and elements of remuneration for Executive Directors, provided however, that no Director shall be directly involved in any decisions as to their own remuneration.

Nomination Committee

The members of the Nomination Committee comprise Alastair McBain (Chairman), and Anthony Sacca.

The percentage of Non-Executive Directors on the Board is above the recommended 50%. The Group has adopted a model code for Directors' dealings that is appropriate for an AIM Company. The Group complies with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Directors and the Group's applicable employees and their relative associates.

Environmental, Social and Governance Committee.

The members of the committee are Eskil Jersing (Non – Executive director), Alastair McBain (PetroNeft Chairman) David Sturt (CEO and Director).

Following approval of the ESG committee's terms of reference and constitution, the responsibilities include, oversight of the Company's ESG strategy, set targets and KPIs, and ensuring appropriate communication both internally and externally so all stakeholders are fully informed of PetroNeft's ESG strategy.

Governance of Joint Venture

Under the joint venture agreement in respect of Licence 61, partners are entitled to appoint board representatives to the joint venture company, WorldAce Investments Limited. PetroNeft have recently approved the appointment of Michael Power who replaces Karl Johnson, and Oil India International B.V, Pankaj K. Goswami to the Board of WorldAce Investments Limited a position for which they receive no additional remuneration, along with local independent directors in Cyprus. The company is managed and controlled in Cyprus through regular Board meetings.

Shareholder Communication

Shareholder communication is given high priority by the Group and there are regular meetings between senior executives, institutional shareholders, analysts, and brokers. These meetings, which are governed by procedures designed to ensure that price sensitive information is not divulged, are designed to facilitate a two-way dialogue based upon the mutual understanding of objectives. The Annual General Meeting ("AGM") affords individual shareholders the opportunity to question the Chairman and the Board, and their participation is welcomed. Shareholders are also welcome to telephone or email the Company at any time.

The Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and the Environmental, Social and Governance Committee, are available at the AGM to answer questions. In addition, major shareholders can meet with the Chairman of the Board or any Executive and Non-Executive Directors on request.

The Board is kept appraised of the views of shareholders, and the market in general, through feedback from the meetings programme. The Group's website, www.PetroNeft.com, is also a key communication tool with all shareholders. News releases are made available on the website immediately after release to the Stock Exchange. Investor presentations, reserve reports and other materials are also available on the website.

Internal Control

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system is reviewed regularly and includes financial controls that enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Group's system of internal financial control provides reasonable, though not absolute, assurance that assets are safeguarded, transactions authorised and recorded properly, and that material errors or irregularities are either prevented or detected within a timely period.

Directors

The Directors who served during the year are listed on page 2

In accordance with Article 89 of the Articles of Association of the Company, Daria Shaftelskaya and Pavel Tetyakov are due to retire by rotation at the next AGM and are eligible to offer themselves for re-election.

Directors' Report
for the year ended 31 December 2021 (continued)

Directors, Company Secretary, and their Interests
The Directors and Company Secretaries who held office during 2021 and in the period up to 31 March 2022 had no interest, other than those shown below, in the Ordinary Shares of the Company. All interests shown below are beneficial interests.

Directors	Ordinary Shares As at 31 March 2022	Ordinary Shares As at 31 December 2021	Ordinary Shares As at 1 January 2021
Alastair McBain* (appointed 29 January 2021)	154,974,339	154,974,339	12,698,500
Daria Shaftelskaya**	98,164,020	98,164,020	88,079,986
David Sturt	26,094,132	26,094,132	15,876,866
Pavel Tetyakov	15,637,515	15,637,515	12,444,530
Eskil Jersing (appointed 1 November 2021)	768,807	-	-
Anthony Sacca	-	-	-
David Golder (resigned 22 February 2021)	3,165,458	3,165,458	3,165,458
Company Secretary			
Michael Power	-	-	-

*Shares held by Alastair McBain via Pershing Securities Limited, ADM Consulting FZE, and Belgrave Naftogas BV.
**Shares held by Daria Shaftelskaya in her own capacity and on her behalf by National Securities Depository Russia.

Principal Risks and Uncertainties
The Group has a risk management structure in place which is designed to identify, manage, and mitigate business risks. Risk assessment and evaluation is an essential part of the Group's internal control system.

Details of the principal risks and uncertainties affecting the Group, as required to be disclosed in accordance with the Companies Act 2014, are listed on pages 25-27

Going Concern
The appropriateness of continuing to prepare the financial statements on a going concern basis is discussed in detail in the Finance Review on page 24-25 in the paragraphs related to the "Current and future funding of PetroNeft" and 23-24 "Going Concern" and in Note 2 to the financial statements on pages 49-50.

The circumstances outlined in the Finance Review and Note 2 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 in the Finance Review and Note 2, the Directors believe that the Group and the Company will have adequate resources to continue in operational existence for at least 12 months after the signing date of the annual report. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Accordingly, the 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.

Remuneration Committee Report
The Group's policy on senior executive remuneration is designed to attract and retain people of the highest calibre who can bring their experience and independent views to the policy, strategic decisions, and governance of the Group.

In setting remuneration levels, the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size and scope. A key philosophy is that staff must be properly rewarded and motivated to perform in the best interests of the shareholders. Bonuses for Executive Directors are based on performance targets which include elements relating to operational outcomes and individual performance.

The Company did not have a share option scheme in place during the 2021 financial year.

Directors' Report
for the year ended 31 December 2021 (continued)

Directors' Remuneration (US$)

	2021			2020		
Director	**Basic**	**Pension**	**Total**	**Basic**	**Pension**	**Total**
Executive directors						
David Sturt*	413,832	16,250	430,082	428,817	30,000	458,817
Pavel Tetyakov	200,000	15,000	15,000	200,000	15,000	215,000
	613,832	31,250	645,082	628,817	45,000	673,817
Non-executive directors						
Alastair McBain	17,990	-	17,990	-	-	-
Daria Shaftelskaya	14,672	-	14,672	11,020	-	11,020
Anthony Sacca	14,672	-	14,672	11,533	-	11,533
Eskil Jersing	3,968	-	3,968	-	-	-
David Golder	2,222	-	2,222	15,224	-	15,224
Thomas Hickey	-	-	-	11,132	-	11,132
Maxim Korobov	-	-	-	913	-	913
	53,524	**-**	**53,524**	**49,822**	**-**	**49,822**
Total Directors remuneration	**667,356**	**31,250**	**698,606**	**678,639**	**45,000**	**723,639**

*Includes Medical Insurance premiums of US$13,832 (2020: US$28,817)

As detailed in Note 34, included in the above are unpaid fees and remuneration due to Directors as at 31 December 2021 of US$172,926 (2020: US$470,023).

Political Donations
The Company did not make any political donations during the year.

Important Events after the Balance Sheet Date
By way of agreed board resolution, effective 9 February 2022, the shareholders of Russian BD Holdings agreed in proportion to their respective shareholding, that is PetroNeft Resources plc 90% and Belgrave Naftogas B.V. 10% to convert loans or payables due to them, into the share premium reserve of Russian BD Holdings. Per the adopted board resolution, the Company converted a loan balance of US$15,854,631 and a payable of US$522,012 and Belgrave Naftogas B.V. a loan balance of US$1,819,627.

The commencement of the Russian / Ukrainian conflict from 24 February 2022 led to heightened volatility in oil prices and currency exchange rates. In addition, the imposition by the international community of harsher sanctions, affecting primarily the Oil and Gas sector, saw significant declines in financing opportunities in the Russian Oil and Gas sector, increased legal and financial compliance together with limitations on capital movements across international borders.

As announced on 29th August 2022, Nord Imperial LLC, the sole oil pipeline transhipment company for oil produced on Licence 61, unilaterally ceased taking shipment of all oil supplied by Stimul -T LLC, the Russian subsidiary of PetroNeft's joint venture WorldAce Investment Limited. The action was taken, despite ongoing legal actions initiated by Stimul-T LLC against Nord Imperial LLC. There has been an ongoing dispute since 2015 over its transhipment rates that are excessive, not reflective of market rates and are abusive in nature. Stimul-T has launched a series of legal cases in Tomsk combined with an Anti-Monopoly case with the Russian Anti-Monopoly agency in Moscow. Stimul-T has also been working with all stakeholders including a series of meetings with Nord Imperial to seek a resolution which enables both parties in the dispute to reach an amicable settlement but crucially also one which enables Stimul-T to generate sufficient margins on its production to invest into the opportunities within Licence 61. The pipeline owned by Nord Imperial connects Licence 61 through a 132km long pipeline to the Transneft entry point. This pipeline is only used by Nord Imperial to transport oil from Licence 61. If this Nord Imperial continues to suspend oil acceptance and transfer from Licence 61, it will affect the joint venture's ability to survive and prosper.

Accounting Records
The measures taken by the Directors to ensure compliance with the requirements of Sections 281 to 285, Companies Act 2014, regarding accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are maintained at 20 Holles Street, Dublin 2, Ireland.

Directors' Compliance Statement
It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Company and of persons retained by the Company under contract, who they believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

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

Irish Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union. Under Company law the Directors must not approve financial statements unless they are satisfied, they give a true and fair view of the assets, liabilities, and financial position, of the Group and Parent Company as at the end of the financial year, and the profit or loss for the Group for the financial year, and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

PetroNeft Resources plc

Directors' Report
for the year ended 31 December 2021 (continued)

Disclosure of information to auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Auditors
BDO Ireland continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

Approved by the Board on 27 September 2022

Alastair McBain	David Sturt
Director	Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRONEFT RESOURCES PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Petroneft Resources Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the financial year ended 31 December 2021, which comprise the Consolidated Income Statement, the Consolidated and the Parent Company Balance Sheet, the Consolidated and the Parent Company Statement of Changes in Equity and the Consolidated and the Parent Company Cash Flow Statements and notes to the financial statements, including the summary of significant accounting policies set out in note 3.

The relevant financial reporting framework that has been applied in the preparation of the Group and the Parent Company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU) (the 'relevant financial reporting framework').

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its loss for the financial year then ended;
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Parent Company as at 31 December 2021;
- the financial statements of the Group and the Parent Company have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the financial statements of the Group and the Parent Company have been properly prepared in accordance with the requirement of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA'), as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRONEFT RESOURCES PLC (CONTINUED)

Material uncertainty relating to going concern and the recoverability of financial assets

We draw your attention to note 2 to the Group's Consolidated Financial Statements concerning the Group and Parent Company's ability to continue as a going concern. The Group incurred a loss of $4.9 million for the financial year ended 31 December 2021, had total assets of $41.9 million and net current liabilities of $2.6 million.

Included in total assets are financial assets comprising of loans and receivable of $20.7 million from Join Ventures and consolidated oil and gas assets of $19m. The recoverability of these assets are dependent on the continued operations and future profitability of the Joint Venture and Subsidiary undertakings. For the operations to continue, the Group is highly dependent on continued funding by way of share placements, securing debt financing, successful extension or re-financing of the Petrogrand AB and convertible loans hand in hand with the continued trading of Licence 67 and resolution of current dispute with Nord Imperial.

As stated in note 2, these events and conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In response to this, we:

- obtained an understanding of the Group's and Parent Company's assumptions in the development and approval of the projections used in the cash flow forecasts to support the going concern assumption and assessed the reasonability of these assumptions;
- evaluated the design and determine the implementation on key controls identified in the going concern assessment process;
- challenged the key assumptions used in the cash flow forecasts by agreement to historical run rates, expenditure commitments and other supporting documentation;
- assessed the reasonableness of securing funding through share placement and debt financing or re-financing.
- reviewed the terms of loan facilities in place;
- tested the clerical accuracy of the cash flow forecast model;
- considered the impact of the Ukraine Invasion;
- considered the ongoing discussions with Nord Imperial and
- assessed the adequacy of the disclosures in the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty relating to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of financial assets and loans advanced to joint venture and other consolidated oil and gas assets

Key Audit Matter

The Group and Parent Company has a significant loans receivable from joint ventures amounting to $20.7 million (2020: $27.3 million) and consolidated oil and gas assets of $19 million (2020: nil) as at the balance sheet date.

The carrying amount of the investment in joint ventures and subsidiaries is represented by loans due from joint venture, WorldAce Investments Limited and the consolidated oil and gas assets of subsidiary Russian-BD Holdings BV. The joint venture and subsidiary control Licences 61 and 67 for future exploration and development of the Sibkrayevskoye and Cheremshanskoye Oil fields respectively. The recoverability of these loans and assets are dependent on the successful development of the economic reserves and revenue growth or the realisation of the value through sale. There is a risk that these assets are not recoverable and an impairment should be raised in the financial statements.

As such, we have identified this as a key audit matter.

Related Disclosures

Refer to notes 3.4(a-b), 3.5 (b-e), 16, 17, 18, 19, 20 and 22 of the accompanying financial statements.

Audit Response

In response to this:

- We have obtained Management's Impairment assessment in relation to financial assets and consolidated assets from joint venture and subsidiary which were directly linked to the Oil & Gas impairment models produced;
- We have gained an understanding of how management complete the impairment model, including the key assumptions and key controls in the impairment assessment process.
- We have assessed the design and implementation of key controls identified in the impairment process;
- We have assessed whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimate and the methods for completing the impairment assessment are appropriate and have been applied consistently;
- We have assessed the expertise, competence, skills and independence of those involved, including Miller and Lents, in making the key assumptions and estimates including management experts where utilised;
- We have performed a retrospective review of other key assumptions in the model such as production and revenue growth by comparing budget versus actual for the prior year;
- We have agreed cashflow data and capital expenditure amounts to budget and cashflow projections approved by the Board of Directors;
- We have assessed the level of headroom available, in relation to key assumptions in the impairment model ensuring we exercise professional skepticism;
- We have challenged management regarding the Group and the Parent Company's ability to raise sufficient finance to ensure that the value is recovered; and
- We have performed stress tests to challenge any estimates within the budget to ensure there is sufficient headroom if certain events occur.

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

Our application of materiality

We define materiality as the magnitude of misstatement, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of a reasonably knowledgeable person taken on the basis of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

- For the purpose of our audit we used overall materiality of $547,000 and $382,900 which represents approximately 2% of the Group net assets and 70% of the Group's materiality.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.
- We chose net assets as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and the Parent Company and is not as volatile as other measures. We selected 2% based on our professional judgment, noting that it is also within the range of commonly accepted asset-related benchmarks.

An overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the IAASA website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

Our audit approach was developed by obtaining an understanding of the Group and the Parent Company's activities, the key functions undertaken on behalf of the Board and the overall control environment. Based on this understanding we assessed those aspects of the Group and the Parent Company's financial statements which were most likely to give rise to a material misstatement. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The Group's auditors have performed a full scope audit of Petroneft Resources Plc and limited scope and desktop reviews of insignificant components. Their involvement in the work performed by other component auditors (auditors of Worldace Investments Limited, LLC Simul-T and LLC Lineynoye) varies by location and involves, at a minimum, direction of the audit procedures to be completed, and review of the reports received in relation to the results of the audit work undertaken by component audit teams. In the current year, as a result of ongoing restrictions, the Group auditor or senior members of the Group audit team have completed their oversight and review work of other locations remotely.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements for the year ended 31 December 2021, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Group and the Parent Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRONEFT RESOURCES PLC (CONTINUED)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_ auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRONEFT RESOURCES PLC (CONTINUED)

Other matters which we are required to address

We were appointed by the Board of Directors on 11 November 2019 to audit the financial statements for the financial year ended 31 December 2019.The period of total uninterrupted engagement is therefore three years, covering the financial year ended 2021.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remained independent of the Company in conducting our audit. We have not provided any non-audit services to the Company during the financial year ended 31 December 2021.

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISA (Ireland) 260.

Teresa Morahan

Teresa Morahan
for and on behalf of
BDO
Statutory Audit Firm
Dublin
AI223876

Date: 27 September 2022

PetroNeft Resources plc

Consolidated Income Statement
For the year ended 31 December 2021

	Note	2021 US$	2020 US$
Continuing operations			
Revenue	5	5,815,255	1,695,524
Cost of sales		(4,408,707)	(1,440,560)
Gross profit		**1,406,548**	**254,964**
Administrative expenses		(1,431,446)	(1,035,040)
Impairment of exploration and evaluation assets	18	(2,900,732)	-
Operating loss	7	**(2,925,630)**	**(780,076)**
Share of joint venture's net loss - WorldAce Investments Limited	13	(4,964,655)	(5,737,042)
Share of joint venture's net loss -Russian BD Holdings B.V.	14	(126,031)	(705,249)
Finance Income	8	2,855,639	3,583,166
Finance costs	9	(803,358)	(432,362)
Fair value gains on financial derivatives.	29	20,197	-
Unrealised gain on business combination	10	3,432,730	
Profit/ (Loss) on equity settlement of financial liabilities		(1,753,874)	206,044
Profit on modification of financial liabilities	29	354,194	218,898
Loss for the year for continuing operations before taxation		**(3,910,988)**	**(3,646,621)**
Income tax expense	11	(960,076)	(895,240)
Loss for the year attributable to equity holders		**(4,871,064)**	**(4,541,861)**
Profit /(loss) for the period attributable to:			
Owners of the Parent		(4,867,482)	(4,541,861)
Non-Controlling Interest		(3,582)	-
		(4,871,064)	**(4,541,861)**
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - *US dollar cent*	12	**(0.49)**	**(0.55)**

PetroNeft Resources plc
Consolidated Statement of Comprehensive Income

For the year ended 31 December 20201

		2021	2020
		US$	US$
Loss for the year attributable to equity holders		**(4,871,064)**	**(4,541,861)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:		-	-
		-	-
Items that will or maybe reclassified to profit or loss:			
Currency translation adjustments - subsidiaries		(12,786)	68,348
Currency translation adjustments reclassified to profit and loss	*10*	4,026,539	-
Share of joint ventures' other comprehensive income - foreign exchange translation differences		(328,849)	(7,579,354)
		3,684,904	**(7,511,006)**
Other comprehensive income for the year net of tax		**3,684,904**	**(7,511,006)**
Total comprehensive loss for the year attributable to equity holders		**(1,186,160)**	**(12,052,867)**
Total Comprehensive Income attributable to:			
Owners of the Parent		(1,177,570)	(12,052,867)
Non-Controlling Interest		(8,590)	-
		(1,186,160)	**(12,052,867)**

Approved by the Board on 27 September 2022

Alastair McBain
Director

David Sturt
Director

PetroNeft Resources plc

Consolidated Statement of Financial Position.

As at 31 December 2021

	Note	2021 US$	2020 US$
Assets			
Non-current Assets			
Oil and gas properties	16	5,006,667	-
Property, plant, and equipment	17	118,618	4,682
Exploration and evaluation assets	18	9,730,768	-
Assets under construction	19	516,953	-
Intangible assets	20	3,659,091	-
Financial assets - loans	22	20,734,834	27,340,710
		39,766,931	**27,345,392**
Current Assets			
Inventories	23	86,842	19,387
Trade and other receivables	24	1,126,054	2,528,931
Cash and cash equivalents	25	915,602	101,028
		2,128,498	**2,649,346**
Total Assets		**41,895,429**	**29,994,738**
Equity and Liabilities			
Capital and Reserves			
Called up share capital	26	13,661,466	10,896,668
Share premium account		147,679,056	141,794,897
Share-based payments reserve		6,796,540	6,796,540
Retained loss		(106,455,050)	(101,587,568)
Currency translation reserve		(35,861,175)	(39,551,087)
Other reserves		511,981	379,923
Equity attributable to equity holders of the Parent		**26,332,818**	**18,729,373**
Non- Controlling Interest	27	716,410	0
Total Equity		**27,049,228**	**18,729,373**
Non-current Liabilities			
Provisions	28	254,629	-
Interest-bearing loans and borrowings	29	3,477,078	-
Derivative financial liabilities	29	313,168	-
Deferred tax liability	11	6,072,348	5,199,522
		10,117,223	**5,199,522**
Current Liabilities			
Interest-bearing loans and borrowings	29	2,827,041	4,151,391
Trade and other payables	30	1,901,937	1,914,452
		4,728,978	**6,065,843**
Total Liabilities		**14,846,201**	**11,265,365**
Total Equity and Liabilities		**41,895,429**	**29,994,738**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital US$	Share premium account US$	Share-based payment and other reserves US$	Currency translation reserve US$	Retained loss US$	Total Equity Holders US$	Minority Interest US$	Total US$
At 1 January 2020	**9,585,965**	**141,006,709**	**7,176,463**	**(32,040,081)**	**(97,045,707)**	**28,683,349**	**-**	**28,683,349**
Loss for the year	-	-	-	-	(4,541,861)	(4,541,861)	-	(4,541,861)
Currency translation adjustments - subsidiaries	-	-	-	68,348	-	68,348	-	68,348
Share of joint ventures' other comprehensive income	-	-	-	(7,579,354)	-	(7,579,354)	-	(7,579,354)
Total comprehensive loss for the year	**-**	**-**	**-**	**(7,511,006)**	**(4,541,861)**	**(12,052,867)**	**-**	**(12,052,867)**
New Share Capital subscribed	1,310,703	788,188	-	-	-	2,098,891	-	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**	**-**	**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**	**-**	**18,729,373**
Loss for the year	-	-	-	-	(4,867,482)	(4,867,482)	(3,582)	(4,871,064)
Recycle FX differences on RBD acqusition (Note 10)	-	-	-	4,026,539	-	4,026,539	-	4,026,539
Currency translation adjustments - subsidiaries	-	-	-	(7,778)	-	(7,778)	(5,008)	(12,786)
Share of joint ventures' other comprehensive income	-	-	-	(328,849)	-	(328,849)	-	(328,849)
Total comprehensive loss for the year	-	-	-	3,689,912	(4,867,482)	(1,177,570)	(8,590)	(1,186,160)
Acquisition of a subsidiary (Note 27)	-	-	-	-	-	-	725,000	725,000
Convertible Share Option reserve	-	-	132,058	-	-	132,058	-	132,058
New Share Capital subscribed *1 (Note 26)	2,764,798	5,884,159	-	-	-	8,648,957	-	8,648,957
At 31 December 2021	**13,661,466**	**147,679,056**	**7,308,521**	**(35,861,175)**	**(106,455,050)**	**26,332,818**	**716,410**	**27,049,228**

*1-During 2021 , a total of 232,435,872 ordinary shares were issued which included the 80,000,000 shares issued as part consideration of the extra 40% equity holding in Licence 67. The remaining 152,435,872 shares were issued in satisfaction of convertible share options, granted as part of the Convertible loan funding programs in 2019 and 2021, plus the convert element attached to the loan secured to secure the 40% equity holding in Licence 67

Share premium is the amount received for shares issued in excess of their nominal value, net of share issuance costs

Share based payment and other reserves are the credits arising on the options granted on funding secured during 2021

Currency translation reserves is gains or losses arising on the translation of the overseas operations

Retained loss is the cumulative losses recognised in the Consolidated Statement of Comprehensive Income

Minority interest rpresents the amount owing to Belgrave Naftogas B.V., following consolidation of Russian B.D. Holdings B.V.

PetroNeft Resources plc

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Notes	2021 US$		2020 US$
Operating activities				
Loss before taxation		**(3,910,988)**		**(3,646,621)**
Adjustment to reconcile loss before tax to net cash flows				
Non-cash				
Depreciation		167,690		21,671
Share of loss in joint ventures		5,090,686		6,442,296
Foreign Exchange Gains/ (Losses)		(163,898)		146,580
Share based payment		-		731,268
Impairment of exploration and evaluation assets		2,900,732		-
Loss/(Profit) on equity settlement of financial liabilities		1,753,874		(206,044)
Profit on modification of financial liabilities		(354,194)		(218,898)
Unrealised gain on business combination		(3,432,730)		-
Finance income	*8*	(2,855,639)		(3,583,166)
Finance costs	*9*	803,358		432,362
Fair value gains on financial derivatives		(20,197)		-
Working capital adjustments				
Decrease/(Increase) in trade and other receivables		1,459,937		(1,415,494)
Decrease/(Increase) in inventories		39,804		(3,741)
Increase /(Decrease) in trade and other payables		(808,766)		42,671
Income tax paid		(87,248)		503
Net cash flows used in operating activities		**582,421**		**(1,256,613)**
Investing activities				
Acquisition of subsidiary net of Cash Acquired		18,893		-
Purchase of property, plant, and equipment	*17*	(153,475)		-
Disposal of property, plant, and equipment	*17*	-		4,980
Purchase of exploration and evaluation assets	*18*	(730,901)		-
Purchase of assets under construction	*19*	(495,983)		-
Loan facilities advanced to joint venture		-		(277,095)
Interest received		9,490		194
Net cash used in investing activities		**(1,351,976)**		**(271,921)**
Financing activities			-	
Proceeds from the issue of share capital		-	-	1,573,667
Proceeds from issue of convertible debt options	*29*	2,245,000	-	-
Repayment of interest on loan facilities	*29*	(88,013)	-	(277,746)
Repayment of principal on loan facilities	*29*	(574,430)	-	-
Net cash received from financing activities		**1,582,557**	-	**1,295,921**
Net increase/(decrease) in cash and cash equivalents		**813,002**		(232,613)
Translation adjustment		1,572		(11,891)
Cash and cash equivalents at the beginning of the year		101,028		345,532
Cash and cash equivalents at the end of the year	*25*	**915,602**		**101,028**

PetroNeft Resources plc

Company Statement of Financial Position

As at 31 December 2021

	Note	2021 US$	2020 US$
Non-current Assets			
Property, plant, and equipment	17	-	-
Financial assets - investments in joint ventures and subsidiaries	21	8,730,848	13,848
Financial assets - loans	22	29,278,522	27,340,710
		38,009,370	**27,354,558**
Current Assets			
Trade and other receivables	24	1,613,326	2,403,084
Cash and cash equivalents	25	709,889	94,970
		2,323,215	**2,498,054**
Total Assets		**40,332,585**	**29,852,612**
Equity and Liabilities			
Capital and Reserves			
Called up share capital	26	13,661,466	10,896,668
Share premium account		147,679,056	141,794,897
Share-based payment reserve		6,796,540	6,796,540
Retained loss		(139,767,920)	(141,157,590)
Other reserves		511,981	379,923
Equity attributable to equity holders of the parent		**28,881,123**	**18,710,438**
Non-current Liabilities			
Interest bearing loans and borrowings	29	1,667,938	-
Derivative financial liabilities	29	313,168	-
Deferred tax liability	11	6,072,348	5,199,522
		8,053,454	**5,199,522**
Current Liabilities			
Interest-bearing loans and borrowings	29	2,827,041	4,151,391
Trade and other payables	30	570,967	1,791,261
		3,398,008	**5,942,652**
Total Liabilities		**11,451,462**	**11,142,174**
Total Equity and Liabilities		**40,332,585**	**29,852,612**

The Company reported a profit for the financial year ended 31 December 2021 of US$1.389 million (2020: Loss of US$12.2 million).

Approved by the Board on 27 September 2022.

Alastair McBain
Director

David Sturt
Director

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital US$	Share premium US$	Share-based payment and other reserves US$	Retained loss US$	Total US$
At 1 January 2020	**9,585,965**	**141,006,709**	**7,176,463**	**(128,926,419)**	**28,842,718**
Loss for the year	-	-	-	(12,231,171)	(12,231,171)
Total comprehensive loss for the year	**-**	**-**	**-**	**(12,231,171)**	**(12,231,171)**
Convertible debt option reserve	-	-	-	-	-
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**	**(141,157,590)**	**18,710,438**
At 1 January 2021	**10,896,668**	**141,794,897**	**7,176,463**	**(141,157,590)**	**18,710,438**
Loss for the year	-	-	-	1,389,670	1,389,670
Total comprehensive loss for the year	-	-	-	1,389,670	1,389,670
Convertible debt option reserve	-	-	132,058	-	-
New Share Capital Subscribed*1	2,764,798	5,884,159	-	-	8,781,015
At 31 December 2021	**13,661,466**	**147,679,056**	**7,308,521**	**(139,767,920)**	**28,881,123**

*1-During 2021, a total of 232,435,872 ordinary shares were issued which included the 80,000,000 shares issued as part consideration of the extra 40% equity holding in Licence 67. The remaining 152,435,872 shares were issued in satisfaction of convertible share options, granted as part of the Convertible loan funding programs in 2019 and 2021, plus the convert element attached to the loan secured to secure the 40% equity holding in Licence 67.

Share premium is the amount received for shares issued more than their nominal value, net of share issuance costs.

Share based payment and other reserves are the credits arising on the options granted on funding secured during 2021

Retained loss is the cumulative losses recognised in the Statement of Comprehensive Income

PetroNeft Resources plc

Company Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 US$	2020 US$
Operating Activities			
Profit /(Loss) before taxation		**2,262,498**	**(11,335,428)**
Adjustments to reconcile loss before tax to net cash flows			
Non-cash			
Impairment of financial assets		1,883,503	14,036,806
Foreign Exchange Gains		4,137	128,204
Share based payment		-	731,268
Loss/(Profit) on equity settlement of financial liabilities		1,753,874	(206,044)
Profit on modification of financial liabilities		(354,194)	(218,898)
Finance income		(3,491,312)	(3,582,975)
Finance costs		689,044	432,362
Fair value gains on financial derivatives		20,197	-
Unrealised gain on investment in subsidiary		(3,625,000)	-
Income tax expense		-	196
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		752,941	(1,353,657)
Increase/Decrease correct signs???? in trade and other payables		(560,315)	105,645
Income tax expense paid		-	-
Net cash flows used in operating activities		**(664,627)**	**(1,262,521)**
Investing activities			
Loan facilities advances		(330,000)	(277,095)
Return of loan facilities		26,990	79,993
Interest received		-	3
Net cash (used in)/received from investing activities		**(303,010)**	**(197,099)**
Financing activities			
Proceeds from the issue of share capital		-	**1,573,667**
Proceeds from issue of convertible debt	*29*	2,245,000	**-**
Repayment of interest on loan facilities	*29*	(88,013)	**(277,746)**
Repayment of principal on loan facilities	*29*	(574,430)	**-**
Net cash received from financing activities		**1,582,557**	**1,295,921**
Net increase/(decrease) in cash and cash equivalents		614,920	(163,699)
Translation adjustment		(1)	753
Cash and cash equivalents at the beginning of the year		94,970	257,916
Cash and cash equivalents at the end of the year	*25*	**709,889**	**94,970**

Notes to the Financial Statements

For the year ended 31 December 2021

Notes to the Financial Statements

For the year ended 31 December 2021

1. General information on the Company and the Group

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 the company registration number 408101. The Company is listed on the Alternative Investments Market ("AIM") of the London Stock Exchange and the Enterprise Securities Market ("ESM") of Euronext. 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, which are unchanged from last year, are oil and gas exploration, development, and production.

2. Going Concern

As described in the Financial Review on pages 23-24, in December 2021 PetroNeft automatically extended the loan facility, which was due to mature on 15 December 2021 with Swedish Company Petrogrand AB, a related party. The revised loan maturity date is 15 December 2022. The loan is secured by way of a floating charge on the assets of PetroNeft. The extension of the loan facility has provided time and space for a more long-term financing solution to be put in place.

In February 2021, the Company agreed an additional loan facility with a group of thirteen investors for US$2.9M. This loan matures on 11 March 2023, or such later date as may be agreed, and 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 GBP0.02p per share within one year of signing the loan agreements and GBP0.025p per share within 2 years of signing. Seven of the thirteen investors are related parties. The money raised was primarily used to fund the 2021 capital investment program and meet ongoing operational cost. During 2021, nine of the thirteen lenders elected to exercise their conversion rights and accordingly a sum equal to US$1.85M of loan principal was cancelled through the issuance of ordinary shares. The new funding, and subsequent conversion, demonstrated continued significant commitment from the largest Shareholders, Directors, and Senior Management

During 2021 all five of the 2019 Convertible loan holders exercised their conversion rights and extended the final maturity on the loan balance outstanding through to 31 December 2022.

In early 2020, the emergence of the Covid-19 pandemic required the Company to make several adjustments to operating procedures, investment decisions and staff HSE protocols to protect its employees, joint venture partners and contractors. Production continued with a reduced level of essential field staff, home working was instituted where practicable, staff voluntarily took pay cuts and the Group actively worked with its suppliers and service providers in rescheduling payments to retain maximum financial flexibility. When the restrictions were partially lifted, the Group resumed full scale production in May 2021. With a rebound in oil prices and the ongoing cost saving program the Group's cashflow improved, enabling it to address payables that had been rescheduled, reverse the temporary salary reduction, and engage constructively with its joint venture partner, current and potential future lenders, and investors to support its ongoing investment plans. The Group continuously monitors the ongoing progress and status of the 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.

As announced by the Company on the 29 August, Nord Imperial LLC suspended all transhipments of oil from Stimul T LLC, which owns Licence 61 and is the 100% subsidiary of PetroNeft's joint venture WorldAce Investment Limited which itself is equally owned by PetroNeft Resources and Oil India Limited. Suspension was a unilateral act by Nord Imperial LLC, given both it and Stimul T LLC have been engaged in a legal dispute over the transhipment tariff rates dating back to 2015. More recently Stimul-T has also launched an Anti-Monopoly case with the Russian Anti-Monopoly agency in Moscow. The management of Stimul T LLC deem the transhipment rates as excessive and are highly indicative of abusive market practises

2. Going Concern (continued)

by Nord Imperial LLC. The suspension, given no viable alternative transhipment route, see Oil revenues at Stimul-T LLC reduced to zero and no near-term alternative Income streams.

The Group has analysed its cash flow requirements through to 31 December 2023. The cash flows are dependent on a) the successful extension or re-financing of the Petrogrand AB loan and other Convertible loans, b) the raising of finance in particular by PetroNeft of US$0.35M in December 2022 and US$0.60M in May 2023, c) the access to cross border cash holdings d) proactive management of trade creditors and other accruals, including the agreed deferral of directors and senior management fees, e) on future production rates and oil prices achieved and consequent future cash flows from LLC Lineynoye (L67) once Cheremshanskoye is producing at material levels, f) amicable agreement on Nord Imperial pipeline dispute

Should the Petrogrand AB loan or other loans not be extended or re-financed, or the ability to access intercompany cash holdings is restricted, or proposed fund raises by PetroNeft holding not materialise, the Group will need additional funding to continue as a going concern. The Group, together with its partners is actively investigating the opportunity to secure debt in the local Russian market for both Licences 61 and 67. The recent Russian / Ukrainian conflict and the associated sanctions have made the raising of funds local on the Russian marketplace extremely complicated and any confidences management held pre-sanctions have subsided, such that both the Directors and Senior Management have adopted a wait and see approach. In the meantime, the sanctions impose restrictions on the use of Group assets and liabilities, in particular the ability to transfer and avail of intercompany cash balances.

The Group has put in place proactive steps to manage third party payables across all legal entities, including tax payables, cost saving measures were possible and the Board and management have agreed to defer their remuneration. Note 34 outlines the amounts owed to the Board and management in this regard as of the reporting date.

Given the remarkable rebound in oil prices, and Management demonstrating their capacity to maintain and increase production through efficient capital allocation programs, the confirmation that Licence 67 will become a significant oil generating asset. 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 operating expenditure and capital spend, drives through enhanced valuation, improved cashflows and future sustainability

The Group is also proactive with all stakeholders at both regional and national levels in securing a fair resolution to the suspension of the transhipment of oil from Licence 61. Engagement is at all stakeholder levels, including respective shareholders, joint venture partner, and government departments remains ongoing.

If the Group does not adequately embed risks associated with climate change into its risk framework to appropriately measure , manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on the Company's level of business growth, competitiveness, profitability, capital requirements, cost of funding and financial condition.

With respect to the ongoing conflict between Russia and Ukraine, PetroNeft continues to operate within the laws of the countries in which it has operations. PetroNeft and its management look forward to a swift resolution to the ongoing conflict. At this time, it is not possible to determine when such a resolution will be achieved.

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. 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

2. Going Concern (continued)

- 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 issue and subsequent conversion.
- the continuous support of our lenders, both convertible and conventional debt
- Continued oil price resilience.
- the incorporation of Environmental, Social and Governance matters to the core of its operations.
- As per note 37 below, the post year end agreement to restructure debts, as agreed by all shareholders to treat debts owing by Lineynoye LLC to Russian BD Holdings B.V. and by Russia BD Holdings B.V to both PetroNeft Resources plc and Belgrave Naftogas B.V., as equity contributions through their respective share premium accounts, thereby eliminating any near-term financial overhang that may arise due to demands for interest or principal payments from the respective contracting parties.

For these reasons, they continue to adopt the going concern basis in preparing the annual report and 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 financial statements have been prepared on a historical cost basis. The financial statements are presented in US Dollars ('US$').

The accounting policies set out below have been applied consistently by all the Group's subsidiaries and joint ventures to all periods presented in these consolidated financial statements.

Statement of Compliance

The consolidated and standalone financial statements of PetroNeft Resources plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (" IFRS") as adopted by the European Union ("EU").

3.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of PetroNeft Resources plc and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and can use its power to affect its returns. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-Group balances, income and expenses and unrealised gains and losses resulting from intra-Group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recognised in equity.
- Recognises the fair value of the consideration received.

3.2 Basis of consolidation (continued)

- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

No change in the current year in the shareholding in WorldAce Investment Limited and thus remains a Group Joint Venture. Post-acquisition of a further 40% equity holding in Russian BD Holdings B.V., the reporting entity transited from a Group JV type arrangement from 1 March 2021 to a Group subsidiary type arrangement. A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, an investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Consolidated income statement reflects Group's share of the results of operations of joint venture. Any change in other comprehensive income of the investee is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in joint venture), the Group discontinues recognising its share of further losses. The financial Statements of the joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group, acting as the operator of the Joint Venture, receives reimbursement of direct costs recharged to its joint venture, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint venture. When the Group charges a management fee to cover other general costs incurred in carrying out the activities on behalf of the joint venture, it is not acting as an agent.

3.3 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Non-controlling interests' equity interests are measured at fair value at the time of change in control.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in compliance with IFRS as adopted by the European Union ("EU") requires management to make judgements, estimates and assumptions that affect the reported amounts

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

of assets and liabilities at the end of the reporting year and the amounts of revenues and expenses recognised during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of the future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have a significant effect on amounts recognised in the consolidated financial statements.

Going concern – Note 2

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the near future. The basis for this judgement is the continued active support of its principal shareholders and the inherent value of the underlying reserves which should generate considerable free cashflow once a targeted development program is rolled out. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in Note 2 above.

Exploration and evaluation expenditure – Note 18

Exploration and evaluation expenditure represent active exploration projects. These amounts will be written-off to the Consolidated Income Statement as exploration costs unless commercial reserves are established, or the determination process is not completed. The outcome of ongoing exploration, and therefore whether the carrying value of these assets will ultimately be recovered, is inherently uncertain.

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, which are evaluated for indicators of impairment. Any impairment review, where required, involves significant judgement related to matters such as recoverable reserves, climate risk, production profiles, oil and gas prices, discount rate, development, operating and offtake costs and other matters. The carrying amount of exploration and evaluation assets at 31 December 2021 is US$9,730,768 (2020: nil).

Financial assets at amortised cost. – Notes 13, 14 and 22

During the year share of losses and currency translation adjustments in Russian BD Holdings B.V. pre consolidation and WorldAce Investment Limited joint ventures exceeded the carrying value of equity-accounted investment in the joint ventures. It was judged that the financial assets from the joint ventures are long term interests that, in substance, form part of the entity's net investment in the joint ventures, and post application of IFRS 9 to long term interest, under IAS 28, any excess loss should be credited against the carrying value of the financial assets from the joint venture Company in accordance with IAS 28.

Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This business model assessment moves from estimates to judgements reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business model for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

(b) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Reserves base

Certain oil and gas properties are depreciated on a unit-of-production (“UOP”) basis at a rate calculated by reference to Proved and Probable reserves, determined in accordance with the Society of Petroleum Engineers Petroleum Resources Management System rules and incorporating the estimated future cost of developing and extracting those reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices.

Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The Urals blend oil price assumption used in the estimation of commercial reserves is an export price of US$70 to $100 per barrel with an average of US$72.2.

Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the number of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on Proved and Probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in Proved and Probable reserves;
- The effect on Proved and Probable reserves of differences between actual commodity prices and commodity price assumptions; and
- Unforeseen operational issues.

Recoverability of oil and gas properties – Note 16

The Group assesses each asset or cash-generating unit (“CGU”) every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair-value-less-costs-of-disposal and value-in-use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see 3.4(b) reserves base above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants at the measurement date. Fair value for oil and gas properties is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may consider. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

Impairment of property, plant, and equipment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant, and equipment to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss.

The recoverable amount is determined as the higher of the fair-value-less-costs–of-disposal for the asset and the asset's value-in-use. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the Consolidated Income Statement to reduce the carrying amount in the Consolidated Balance Sheet to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants at the measurement date. Direct costs of selling the asset are deducted.

Value-in-use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value-in-use is determined by applying assumptions specific to the Group's continued use and cannot consider future development. These assumptions are different to those used in calculating fair value and consequently the value-in-use calculation is likely to give a different result to a fair value calculation.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of financial assets – Note 22

Investments in joint venture and subsidiaries in the Parent Company balance sheet are stated at cost and are reviewed for impairment if there are indications that the carrying value may not be recoverable in the parent Company balance sheet

Decommissioning costs – Note 28

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Refer to Note 28 for details of this provision and related assumptions.

Income tax- Note 11

Significant judgment is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.5 Summary of Significant Accounting Policies

(a) Foreign currencies

The consolidated financial statements are presented in US Dollars, which is the Group's presentational currency. The US Dollar is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company's Russian subsidiaries' functional currency is the Russian Rouble. Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement except for all

3.5 Summary of Significant Accounting Policies

(a) Foreign currencies (continued)

monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment.

Non-monetary items are translated using the exchange rates ruling as at the date of the initial transaction.

The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange ruling at the balance sheet date and their Income Statements are translated at monthly average exchange rates. The exchange differences arising on the translation are taken directly to equity.

The relevant average and closing exchange rates for 2021 and 2020 were:

	2021		2020	
US$1 =	**Closing**	**Average**	**Closing**	**Average**
Russian Rouble	75.313	73.694	74.54	72.325
Euro	0.8829	0.8468	0.8149	0.8774
British Pound	0.7419	0.7267	0.7326	0.7771

(b) Oil and gas exploration, evaluation, and development expenditure
Oil and gas exploration, evaluation and development expenditure are accounted for using the successful efforts method of accounting.
Pre-licence costs
Pre-licence costs are expensed in the period in which they are incurred.

Exploration and evaluation costs
Costs directly associated with an exploration well are capitalised until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written-off as a dry hole. If extractable oil is found and subject to further appraisal activity, which may include the drilling of further wells, is likely to be developed commercially, the costs continue to be carried as exploration and evaluation costs. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. If this is no longer the case, the costs are written-off. When proved reserves are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised. The net proceeds or costs of pilot production are allocated to exploration and evaluation costs.

Development costs
Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties and depreciated from the commencement of production on a unit-of-production basis other than certain non-production related equipment and facilities which are expected to have a shorter useful economic life and are depreciated on a straight-line basis.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. No finance costs met the criteria to be capitalised as borrowing costs in either 2021 or 2020.

3.5 Summary of Significant Accounting Policies (continued)

(c) Oil and gas properties, assets under construction and property, plant, and equipment.
Oil and gas properties, assets under construction and property, plant and equipment are stated at cost, less accumulated depreciation, and accumulated impairment losses, if any.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, relevant borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation
Oil and gas properties are depreciated on the following basis:

- Production related items including the wells, production facility and pipeline are depreciated on a unit-of-production basis over the Proved and Probable reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs considers expenditures incurred to date, together with sanctioned future development expenditure to extract these reserves. The related depreciation is included within cost of sales.
- Certain non-production related equipment and facilities which are expected to have a shorter useful economic life are depreciated on a straight-line basis over their estimated useful lives at annual rates ranging from 10% to 50%. The related depreciation is included within administrative expenses.
- Assets under construction are not depreciated until construction is completed and the assets are available for their intended use.

Property, plant, and equipment are generally depreciated on a straight-line basis over their estimated useful lives at the following annual rates:

- Plant and machinery – 10% to 35%.
- Motor vehicles – 14% to 35%.
- Property, plant, and equipment – 10 % -15%

(d) Intangible Assets
Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Intangible assets are amortised on a straight-line basis. In general, based on the current composition of definite-lived intangible assets which represents extraction rights, the useful lives are 35 years. Amortisation periods, useful lives, expected patterns of production and residual values are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of production of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method as appropriate on a prospective basis.

(e) Financial assets
Financial assets – Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
• those to be measured at amortised cost, and
• those to be measured subsequently at fair value (either through OCI or through profit or loss).
The classification and subsequent measurement of debt financial assets depends on: (I) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

3.5 Summary of Significant Accounting Policies (continued)

(e) Financial assets (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

Purchases of financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses “ECL” for debt instruments (including loans) measured at Amortised Cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions, and forecasts of future conditions.

The carrying amount of the financial assets is reduced using an allowance account, and the amount of the loss is disclosed separately in the statement of profit or loss within the Impairment of Financial Assets Loans and Receivables

Debt instruments measured at Amortised Cost are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies general approach three stage model for impairment. The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets - write off

Financial assets are written off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write off represents a derecognition event. The Group may write off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

3.5 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are carried at amortised cost.

Financial assets at amortised cost

These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade receivables and other receivables are classified as trade and other receivables. Financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans to and receivables from joint ventures represent funding by the Company for which repayment is neither planned nor likely to occur in the foreseeable future. These are treated as part of the Company's net investment in the joint ventures.

Financial liabilities

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial Liabilities-Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss

Derivative Financial Instruments

Derivative financial instruments are contracts, the fair value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity, and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flows or option pricing models as appropriate.
In the statement of financial position,

- derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments
- with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments are recognised through profit and loss.

3.5 Summary of Significant Accounting Policies (continued)

(f) Trade payables

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

(g) Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

(h) Interest-bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Income Statement.

(i) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms

of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement. Substantially modified means when the net present value of the cashflows under the original terms and the modified terms is greater than 10%.

(j) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(k) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

3.5 Summary of Significant Accounting Policies (continued)

(k) Fair value measurement (continued)

Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value represents the estimated selling price in the normal course of business less estimated costs of completion and estimated costs necessary to make the sale.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

(n) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(o) Share capital

Ordinary shares are classified as equity. Costs of share issues are deducted from equity.

(p) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

3.5 Summary of Significant Accounting Policies (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside of profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(q) Revenue recognition

Revenue is recognised when control has been transferred to the customer. Revenue is recognized at the transaction price which the Group expects to be entitled to, after deducting sales taxes, excise duties and similar levies. For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices.

The Group recognises revenue from the following major sources:

- Crude oil sales
- Management services; and
- Construction services.

Revenue from sale of crude oil is recognized at the transaction price which the Group expects to be entitled to, after deducting sales taxes, excise duties and similar levies. Revenue is recognised when control has been transferred to the customer. For sales of crude oil, this generally occurs when product is physically transferred into a pipe or other delivery mechanism. Crude oil sales are paid for in advance.

3.5 Summary of Significant Accounting Policies (continued)

(q) Revenue recognition (continued)
Revenue from management services is recognised in accordance with agreements with our subsidiaries and joint venture partner. The provision of management services is recognised monthly at a variable price with an application of "right to invoice" practical expedient. Revenue from construction services is recognised monthly in accordance with agreed work completion schedules.

(r) Share-based payment
Employees (including senior executives) and Directors of the Group may receive fees and remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

(s) Equity-settled transactions
The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in Note 26.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognised is the expense as if the terms had not been modified if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee is not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(t) Leases
The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period in exchange for consideration. Leases are those contracts that satisfy the following criteria: (a) There is an identified asset; (b) The Company obtains substantially all the economic benefits from use of the asset; and (c) The Company

3.5 Summary of Significant Accounting Policies (continued)

(t) Leases (continued)

has the right to direct use of the asset. The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidentals to legal ownership or other potential benefits. In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

(u) Finance Income and finance cost

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in Finance Income in the income statement. Interest expense is included in the Finance cost in the income statement.

(v) Employee Costs

Liabilities for wages and salaries, including non-monetary benefits are measured at the amount expected to be paid when the liability is settled. The liability for annual leave is recognised in current provisions in respect of employees' services up to the reporting date and is measured at the amount expected to be paid when the liability is settled. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless

there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the Consolidated Income Statement in the year to which they relate.

(w) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity, net of income tax effects.

(x) Joint Arrangements

Joint arrangements the group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. The group classifies its interests in joint arrangements as either: - Joint ventures: where the group has rights to only the net assets of the joint arrangement - Joint operations: were the group has both the rights to assets and obligations for the liabilities of the joint arrangement. In assessing the classification of interests in joint arrangements, the Group considers: - The structure of the joint arrangement - The legal form of joint arrangements structured through a separate vehicle - The contractual terms of the joint arrangement agreement - Any other facts and circumstances (including any other contractual arrangements). The Group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e., using the equity method). Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested

3.5 Summary of Significant Accounting Policies (continued)

(t) Leases (continued)

for impairment in the same way as other non-financial assets. The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues, and expenses in accordance with its contractually conferred rights and obligations. In accordance with IFRS 11 Joint Arrangements, the Group is required to apply all the principles of IFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3. Judgement For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include: − Structure − Legal form − Contractual
agreement − Other facts and circumstances. Upon consideration of these factors, the Group has determined that all its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

3.6 Changes in Accounting Policy and Disclosures

Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

3.6 Adoption of new or revised standards and interpretations

The following new standards, interpretations and standard amendments became effective for the Group as of 1 January 2021:

- Amendments to IFRS 9 Financial Instruments,
- IAS 39 Financial Instruments: Recognition and measurement,
- IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and
- IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2.

The amendments did not result in a material impact on the Group's results

The following standard amendment was issued in March 2021 effective for annual reporting periods beginning on or after 1 April 2021 with earlier application permitted:

- Amendments to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021.

3.7 New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company

New standards
IFRS 17 ''Insurance Contracts''

In May 2017, the IASB issued IFRS 17 which will be effective for reporting periods beginning on or after 1 January 2023, with presentation of comparative figures required. The Group is currently evaluating the impact of this standard on future periods.

There are no other IFRS or IFRIC interpretations that are effective after the PetroNeft 2021 financial year-end that are expected to have a material impact on the results or financial position of the Group

Notes to the Financial Statements

For the year ended 31 December 2021

4. Segment information

The Group has several reporting segments which are shown below. They include segment information on allocation of assets and segment information on revenues by both location and customer.

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.

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 undertakings WorldAce Investments Limited and Russian BD Holdings B.V. are domiciled in Cyprus and the Netherlands, the underlying businesses and assets are in Russia. Substantially all the Group's sales and capital expenditures are in Russia.

Segment Information

Assets are allocated based on where the assets are located:

	2021	2021
Non-current assets	**US$**	**US$**
Russia	39,766,931	27,345,392
Ireland	-	-
	39,766,931	**27,345,392**

Revenues are allocated on where the underlying business and assets are located.

	2021	2020
	US$	**US$**
Revenue- Location		
Russia	5,815,255	1,695,524
	5,815,255	**1,695,524**

	2021	2020
	US$	**US$**
Revenue- Customer		
Alexandrovskoye Oil Refinery 71% (2020:0%)	4,133,446	-
SMPH LLC 8% (2020: 0%)	459,063	-
CJSC Sovkhimteh .0.03% (2020: 0%)	19,926	-
Total Crude oil revenues 79.3% (2020: 0%) -(Note 5)	4,612,435	
WorldAce Investments Limited-7% (2020- 40.5%) -(Note 5)	406,577	686,498
Russian BD Holdings B.V- 0.5% (2020-12.3%)- (Note 5)	26,832	209,092
LLC Stimul T- 13.2% (2020-47.2%)- (Note 5)	769,411	799,934
	5,815,255	**1,695,525**

5. Revenue

Notes to the Financial Statements

For the year ended 31 December 2021

	2021	2020
	US$	US$
Revenue		
Crude Oil Sales (Note 4)	4,612,435	-
Management Services (Note 4)	433,409	895,590
Construction Services (Note 4)	769,411	799,934
	5,815,255	**1,695,524**

With the reclassification of Russian BD Holdings B.V. from a joint venture to subsidiary entity as and from 1 March 2021, most of the revenue arises from sale of Crude oil to third party offtakers (see Note 4). Revenue from crude oil sales arises primarily from sales to third parties based in the Russian Federation. The Group receives payment for crude oil sales in advance, therefor the risk of default is very low.

The management service fee services fee income reimburses expenditure that PetroNeft incurred, as operator of the licences.

The construction revenue is mainly derived from Granite LLC construction services offered to Stimul-T LLC, which is the 100% subsidiary of joint venture arrangement WorldAce Investments Limited. Payment terms are stated at 10 business days after acceptance of the invoice.

6. Employees

Number of employees	**2021**	**2020**
Group	**Number**	**Number**
The average numbers of employees (including Directors) during the year were:		
Directors	5	6
Senior Management	2	2
Professional staff	4	4
Oil field workers	6	-
Construction crew employees	20	20
	37	**32**

Number of employees	**2021**	**2020**
Company	**Number**	**Number**
The average numbers of employees (including Directors) during the year were:		
Directors	5	6
Senior Management	2	2
Professional Staff	-	-
	7	**8**

Employment costs (including Directors)	**2021**	**2020**
Group	**US$**	**US$**
Wages and salaries	1,447,041	1,411,844
Social insurance costs	149,030	145,691
Contributions to defined contribution pension plan	21,156	79,161
	1,617,227	**1,636,696**

Employment costs (including Directors)	**2021**	**2020**
Company	**US$**	**US$**
Wages and salaries	991,618	1,087,842
Social insurance costs	63,796	67,040
Contributions to defined Pension Plan	21,156	79,161
	1,076,570	**1,234,043**

Directors' emoluments	**2021**	**2020**
Group and Company	**US$**	**US$**
Remuneration and other emoluments - Executive Directors*	613,832	628,817
Remuneration and other emoluments - non-Executive Directors	53,524	49,822
Pension contributions	31,250	45,000
	698,606	**723,639**

6. Employees (continued)

	2021			2020		
Director	**Basic**	**Pension**	**Total**	**Basic**	**Pension**	**Total**
Executive directors						
David Sturt*	413,832	16,250	430,082	428,817	30,000	458,817
Pavel Tetyakov	200,000	15,000	215,000	200,000	15,000	215,000
	613,832	31,250	645,082	628,817	45,000	673,817
Non-executive directors						
Alastair McBain	17,990	-	17,990	-	-	-
Daria Shaftelskaya	14,672	-	14,672	11,020	-	11,020
Anthony Sacca	14,672	-	14,672	11,533	-	11,533
Eskil Jersing	3,968	-	3,968	-	-	-
David Golder	2,222	-	2,222	15,224	-	15,224
Thomas Hickey	-	-	-	11,132	-	11,132
Maxim Korobov	-	-	-	913	-	913
	53,524	-	53,524	49,822	-	49,822
Total Directors remuneration	**667,356**	**31,250**	**698,606**	**678,639**	**45,000**	**723,639**

* Includes Medical Insurance of US$13,832 (2020: 28,817).
(a) As part of the 2021 Convertible Debt raise, amount due to directors and senior management was reduced by the issuance of a convertible note in the sum of US$658,802.

(b) Included in the above are unpaid fees and remuneration due to Directors as at 31 December 2021 of US$172,926 (2020: US$470,023)

(c) Pension contributions to directors during the year relate to 2 directors (2020: 2 director).

(d) An amount of US$340,323 (2020: US$336,908) relating to Executive Directors' salaries was re-charged to WorldAce Investments Limited. An amount of US$102,097 (2020: US$101.073) relating to Executive Directors' salaries was re-charged to Russian BD Holdings B.V.

7. Operating loss

Operating loss is stated after charging/(crediting):	Note	2021 US$	2020 US$
Included in cost of sales			
Short term lease rentals - equipment		17,339	15,835
Included in administrative expenses			
Foreign exchange (gains)/losses		(40,772)	35,642
Short term lease rentals - land and buildings		8,435	5,192
Depreciation of property, plant, and equipment			
Included in cost of sales		167,690	21,667
Included in administrative expenses			4
	17	167,690	21,671
Auditors' remuneration - Group			
-audit of group financial statements		80,704	69,791
-tax advisory services		-	-
-other non-audit services		196,966	109,453
-other assurance services		-	-
		277,670	179,244
Auditors' remuneration - Company			
-audit of entity financial statements		17,250	17,250
-audit of group financial statements		55,934	52,541
-tax advisory services		-	-
-other non-audit services		7,520	-
-other assurance services		-	-
		80,704	69,791

8. Finance income

	2021 US$	2020 US$
Bank interest receivable	9,490	194
Interest receivable on loans to Joint Ventures	2,846,149	3,582,972
	2,855,639	**3,583,166**
Total interest income on financial assets	**2,846,149**	**3,582,972**

9. Finance costs

	2021 US$	2020 US$
Interest on loans	800,698	**432,362**
Unwinding of discount on decommissioning provision (note 28)	2,660	-
	803,358	**432,362**
In respect of liabilities not at fair value through Profit and Loss	**-**	**-**
Total interest expense on financial liabilities	**803,358**	**432,362**

10. Unrealised Gain on Business Combination

	Note	2021 US$
FX losses recycled to Profit and Loss Account (Note 14)	**A**	(4,026,539)
Revalue Investment in Russian B.D. Holding B.V. to fair value (Note 21)	**B**	3,625,000
Revalue of Russian B.D. Holdings B.V. Loan recoverable to fair value (Note 15 & 22)	**C**	3,834,269
Unrealised gain on business combination		**3,432,730**

The unrealised gain arose from netting off, at consolidated level the following:

A) Negative currency exchange differences of US$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. of US$3.625M. The investment

10. Unrealised Gain on Business Combination (continued)

had previously been written down to zero in both the Group and Company 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 US$3.83M. This loan had previously been carried in the PetroNeft Consolidated Financial Statements of US$4.1M.

11. Income Tax

Group	2021 US$	2020 US$
Current income tax		
Current income tax charge	87,522	(2,635)
Total current income tax	**87,522**	**(2,635)**
Deferred tax		
Relating to the origination and reversal of temporary differences	872,554	897,875
Total deferred tax	**872,554**	**897,875**
Income tax expense reported in the Consolidated Income Statement	**960,076**	**895,240**

	2021 US$	2020 US$
Loss before income tax	**(3,910,988)**	(3,646,621)
Accounting loss multiplied by Irish standard rate of tax of 12.5%	(488,874)	(455,827)
Non-deductible expenses	454,989	110,200
Effect of higher tax rates on investment income	436,414	447,872
Tax deductible timing differences	(12,104)	(5,208)
Share of joint ventures' net loss	636,336	805,287
Other	22,444	(10,528)
Profits taxable at higher rates	7,168	3,445
Taxable losses not utilised	(96,297)	-
Total tax expense reported in the Consolidated Income Statement	**960,076**	**895,240**

Deferred tax
Group and Company

	2021 US$	2020 US$
Deferred income tax liability		
At 1 January	5,199,522	4,303,779
Expense for the year recognised in the income statement	872,554	897,875
Translation adjustment	272	(2,132)
At 31 December	**6,072,348**	**5,199,522**

Notes to the Financial Statements

For the year ended 31 December 2021

11. Income Tax (continued)

Deferred tax at 31 December relates to the following:	2021 US$	2020 US$
Deferred income tax liability		
Accrued interest income on intra-Group loans	6,072,348	5,199,522
	6,072,348	**5,199,522**

The Group has tax losses which arose in Russia that are available for offset against future profits.
Deferred tax assets of US$0.90 million have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in its subsidiary, Russian BD Holdings B.V, that has been loss making over the recent number of years

Factors that may affect future tax charges

The tax charge in future years will be affected by changes to the rates of Irish Corporation Tax. There is no current expectation that the tax rate of 12.5% in Ireland will change in the foreseeable future.

12. Loss per Ordinary Share

Basic loss per Ordinary Share amounts is calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year.

	2021	2020
Numerator	**US$**	**US$**
Loss attributable to equity shareholders of the Parent for basic loss	(4,867,482)	(4,541,861)
	(4,867,482)	**(4,541,861)**
Denominator		
Weighted average number of Ordinary Shares for basic	**1,000,024,400**	**831,674,668**
Loss per share:		
Basic and Diluted - *US dollar cent*	**(0.49)**	**(0.55)**

At the Financial year end the Company had convertible debt instruments in issue that could potentially dilute basic earnings per Ordinary Share in the future as per Note 35. Of the 17,442,269 converts in issue at financial year end, they relate entirely to 4 of the 13 lenders contributing to the 2021 Convertible debt. Given the Company is substantially loss making, the addbacks and increased equity holding would be anti-dilutive.

During 2021 subscription rights accruing to all 5 lenders of the 2019 Convertible loan, 9 of the 2021 Convertible loans, and the 50% convert awarded as part of funding the 40% extra shareholding in Russian BD Holdings B.V had been exercised by the option holders.

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

PetroNeft has a 50% interest in WorldAce Investments Limited ("WorldAce"), a joint venture 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 US$
At 1 January 2020	-
Elimination of unrealised profit on intra-Group transactions	-
Retained loss	(5,737,042)
Currency Translation adjustment	(6,735,737)
Credited against loans receivable from WorldAce Investments Limited (Note 22)	12,472,779
At 1 January 2021	**-**
Elimination of unrealised profit on intra-Group transactions	**-**
Retained loss	**(4,964,654)**
Currency Translation adjustment	**(302,530)**
Credited against loans receivable from WorldAce Investments Limited (Note 22)	**5,267,184**
At 31 December 2021	**-**

The balance sheet position of WorldAce shows net liabilities of US$99,448,212 (2020: US$88,913,849) following a loss in the year of US$9,929,308 (2020: US$11,474,084) together with a negative currency translation adjustment of US$605,059 (2020: negative US$13,471,473). PetroNeft's 50% share is included above and results in a negative carrying value of US$45,041,703 (2020: US$39,774,519). 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 US$45,041,073 (2020: US$39,774,519) is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 22).

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

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below.

Summarised Financial statements of equity-accounted joint venture

	2021 US$	2020 US$
Revenue	29,912,441	16,719,562
Cost of sales	(28,649,622)	(17,465,594)
Gross profit	**1,262,819**	**(746,032)**
Administrative expenses	(4,144,337)	(2,515,578)
Operating profit/(loss)	**(2,881,518)**	**(3,261,610)**
Finance Income	90,803	35,745
Finance costs	(7,138,593)	(7,985,620)
Loss for the year for continuing operations before taxation	**(9,929,308)**	**(11,211,485)**
Income tax expense	-	(262,599)
Loss for the year	**(9,929,308)**	**(11,474,084)**
Loss for the year	(9,929,308)	(11,474,084)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		-
Currency translation adjustments	(605,059)	(13,471,473)
Total comprehensive loss for the year	**(10,534,367)**	**(24,945,557)**
PetroNeft share of net loss for year	*(4,964,655)*	*(5,737,042)*
PetroNeft share of currency translation adjustments	*(302,530)*	*(6,735,757)*
PetroNeft share (50%)	***(5,267,184)***	***(12,472,779)***
Included in the above numbers are charges for		
Depreciation and Amortisation	**1,125,173**	**1,256,822**

Finance costs mainly relate to interest on shareholder loans from Oil India International B.V. and PetroNeft. The details of gross interest accrued on loans to PetroNeft are disclosed in Note 34 Related party disclosures.

The currency translation adjustment results from the movement of the Russian Rouble during the year. 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 remained relatively stable versus the US dollar during 2021 as evidenced by the minimal movement/ weakening in the dollar / rouble exchange rate at year end RUB75.31:US$1 (2020: RUB 74.54:US$1).

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

	2021 US$	2020 US$
Non-current Assets		
Oil and gas properties	61,593,374	63,884,598
Property, plant, and equipment	851,000	241,080
Exploration and evaluation assets	-	-
Assets under construction	1,565,336	1,517,064
Intangible Assets	1,786,837	1,829,477
	65,796,546	**67,472,219**
Current Assets		
Inventories	3,088,533	2,149,712
Trade and other receivables	2,058,182	904,824
Cash and cash equivalents	185,274	212,433
	5,331,989	**3,266,969**
Total Assets	**71,128,535**	**70,739,188**
Non-current Liabilities		
Provisions	1,954,593	1,360,704
Obligations under finance lease	16,009	61,222
Interest-bearing loans and borrowings	157,285,969	147,877,926
	159,256,571	**149,299,852**
Current Liabilities		
Trade and other payables	**11,014,189**	7,571,206
Obligations under finance lease	**43,242**	43,242
Corporation Tax	**262,745**	262,745
Interest-bearing loans and borrowings	**-**	2,475,992
	11,320,176	**10,353,185**
Total Liabilities	**170,576,747**	**159,653,037**
Net Liabilities	**99,448,212**	**88,913,849**
Non -Current Financial Liabilities	**157,301,978**	**147,939,148**
Current Financial Liabilities	**43,242**	**43,242**

Interest-bearing loans and borrowings are shareholder loans from Oil India International B.V. and PetroNeft. The details of loans due to PetroNeft are disclosed in **Note 34** Related party disclosures.

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

Capital commitments	2021 US$	2020 US$
Details of capital commitments at balance sheet date includes:		
Contracted but not provided for in the financial statements	-	-

14. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V.

Russian BD Holdings B.V., is a Netherlands registered legal entity which holds 100% of LLC Lineynoye, an entity involved in oil and gas exploration and the registered holder of Licence 67 in Russia. The interest in this joint venture is accounted for using the equity accounting method through to 28 February 2021, and as PetroNeft increased its shareholding by an additional 40% from 1 March 2021, thereafter the acquisition method of accounting is applied.

Accordingly for joint venture purposes only, the data below is prepared up to 28 February 2021.

	Share of net assets US$
At 1 January 2020	**-**
Elimination of unrealised profit on intra-Group transactions	-
Share of net loss of joint venture for the year	(705,249)
Currency Translation adjustment	(843,617)
Credited against loans receivable from Russian BD Holdings B.V. (Note 16)	1,548,866
At 1 January 2021	**-**
Elimination of unrealised profit on intra-Group transactions	**-**
Retained loss	**(126,031)**
Currency Translation adjustment	**(26,319)**
Credited against loans receivable from Russian BD Holdings B.V. (Note 16)	**152,350**
At 28 February 2021	**-**

The balance sheet position of Russian BD Holdings B.V. shows net liabilities, pre consolidation of US$7,630,075 (2020: US$7,350,155) following a loss in the 2-month period ending 28 February 2021 of US$252,062 (2020: US$1,410,498) together with a negative currency translation of US$52,638 (2020: negative US$1,687,233). PetroNeft's 50% share is included above and results in a negative carrying value of US$3,834,269 (2020: US$3,681,920). 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 US$3,834,269 (2020: US$3,681,920) is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from Russian BD Holdings B.V.

The cumulative loss offset against loans receivable is subsequently, as and from 1 March 2021, reversed on acquisition by PetroNeft of an additional 40% equity holding in Russian BD Holdings B.V. (See note 10 above point C)

14. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below

Summarised Financial statements of equity-accounted joint venture

	28 February 2021 US$	*31 December* 2020 US$
Revenue	27,980	37,400
Cost of sales	(95,637)	(157,567)
Gross profit	**(67,657)**	**(120,167)**
Administrative expenses	(39,367)	(393,639)
Operating loss	**(107,024)**	**(513,806)**
Finance Income	6	325
Finance costs	(145,044)	(897,017)
Loss for the year for continuing operations before taxation	**(252,062)**	**(1,410,498)**
Taxation	-	-
Loss for the year	**(252,062)**	**(1,410,498)**
Loss for the year	**(252,062)**	**(1,410,498)**
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Currency translation adjustments	**(52,638)**	**(1,687,233)**
Total comprehensive loss for the year	**(304,700)**	**(3,097,731)**
PetroNeft share of net loss for year	*(126,031)*	*(705,249)*
PetroNeft share of currency translation adjustments	*(26,319)*	*(843,617)*
PetroNeft share (50%) (Note 15)	***(152,350)***	***(1,548,866)***
Included in the above numbers are charges for		
Depreciation and Amortisation	-	-

Finance costs comprise of interest on shareholder loans from Belgrave Naftogas B.V. and PetroNeft. The details of gross interest accrued on loans to PetroNeft are disclosed in Note 34 Related party disclosures.

14. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

	28 February 2021 US$	*31 December* 2020 US$
Non-current assets	10,674,204	10,098,999
Current assets	185,039	199,720
Total assets	**10,859,243**	**10,298,719**
Non-current liabilities	16,549,062	16,404,101
Current liabilities	1,940,256	1,244,773
Total liabilities	**18,489,318**	**17,648,874**
Net Liabilities	**7,630,075**	**7,350,155**
Non -Current Financial Liabilities	**16,525,991**	**16,404,101**
Current Financial Liabilities	**253,832**	**119,384**

Capital commitments	2021 US$	2020 US$
Details of capital commitments at balance sheet date includes:		
Contracted but not provided for in the financial statements	-	**1,000,000**

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, for the purposes of this consolidation, the consolidation date is deemed to be 1 March 2021.

The principal reason for the acquisition was to further enhance the value proposition that is the Group PetroNeft Resources plc, which saw rather quickly post consolidation the asset moving from an exploratory type of asset to full commercial production.

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 US$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 US$4,032,496 after deducting loss allowances of US$3,834,269. To align the balances on the intercompany loans and reflecting fair value reporting below, the loss allowance of US$3,834,269 was reversed.

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

The total consideration for the additional 40% equity transaction was US$3,392,000, which 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 US$1,700,000.

The fair value of 100% equity in Russian BD Holdings B.V. was deemed to be US$7,250,000, based on the agreed consideration of US$2,900,000 for 40% equity acquired. Given excess consideration of US$10,150,732 was posted to Exploration and Evaluation assets, any excess over the total fair value of US$7,250,000 in the amount of US$2,900,732 was deemed to be impaired and expensed to the Profit and Loss Statement.

15. Business Combination during the period (continued)

	Book Value US$	Adjustment US$	Fair Value US$
Exploration and Evaluation Assets	**10,674,205**	-	10,674,205
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)**	-	**(7,630,076)**

Fair Value of business combination	
Issue of 80,000,0000 Ordinary Shares	3,392,000
Convertible Loan	1,700,000
Fair value of 40% Equity Acquired in Period	5,092,000
Loan reassignment deemed reduction of consideration	(6,921,346)
Marking PetroNeft's 50% equity to Fair value	3,625,000
Non-Controlling Interest	725,000
Total Fair Value	**2,520,654**
Excess posted to Exploration and Evaluation Assets	**10,150,732**

Notes to the Financial Statements

For the year ended 31 December 2021

15. Business combination during the period (continued)

Contribution to PetroNeft Resources (PTR)
Statement of Consolidated Financial Position

	RBD Fair Value US$	Adjustment US$	1 March 2021 PTR US$	31 December 2021 PTR US$
Exploration and Evaluation Assets	10,674,204	10,150,731	20,824,935	12,631,500
Impairment of Exploration and Evaluation Assets	-	(2,900,732)	(2,900,732)	(2,900,732)
Exploration and Evaluation Assets post impairment	-	-	17,924,203	9,730,768
Oil and Gas Properties	-	-	-	5,006,667
Property, Plant and Equipment	-	-	-	9,890
Assets under construction	-	-	-	516,953
Intangible Assets	-	-	-	3,659,091
Inventories	107,501	-	107,501	68,268
Trade and Other Receivables	58,645	-	58,645	64,911
Cash and Cash Equivalents	18,893	-	18,893	205,304
Trade and Other Payables	(1,686,424)	-	(1,686,424)	(1,897,958)
Loans Short term	(253,832)	-	(253,832)	(2,828)
Provisions	(23,071)	-	(23,071)	(254,629)
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)	(1,809,140)
Loan Reassignment from BELG to PTR	(6,921,346)	6,921,346		-
Loan from Belgrave Naftogas B.V. (BELG)	-		(1,700,000)	(914,396)
Recycle currency translation difference from PetroNeft			-	
Group Statement of Financial Position to Income Statement (Note 10)	-	-	(4,026,539)	(4,026,539)
Non -Controlling Interest (Note 27)	-	-	(725,000)	(716,410)

Notes to the Financial Statements

For the year ended 31 December 2021

15. Business combination during the period (continued)

Russian BD Holdings B.V.- Consolidated Income Statement	*Unaudited*		Audited full 12 Month period Consolidation	*Audited*
	10 months ended 31 December 2021 US$	2 months ended 28 February 2021 US$	12 months ended 31 December 2021 US$	Year ended 31 December 2020 US$
Revenue	4,612,435	27,980	4,640,415	37,400
Cost of sales	(3,386,515)	(95,637)	(3,482,152)	(157,567)
Gross profit/ (Loss)	**1,225,920**	**(67,657)**	**1,158,263**	**(120,167)**
Administrative expenses	(474,039)	(39,367)	(513,406)	(393,639)
Operating Profit/ (Loss)	**751,881**	**(107,024)**	**644,857**	**(513,806)**
Finance revenue	9,317	6	9,323	325
Finance costs	(719,084)	(145,044)	(864,128)	(897,017)
Profit/(Loss) for the period for continuing operations before taxation	**42,114**	**(252,062)**	**(209,948)**	
Taxation	(77,936)	-	(77,936)	-
Loss for the period	**(35,822)**	**(252,062)**	**(287,884)**	**(1,410,498)**
Loss for the period	**(35,822)**	**(252,062)**	**(287,884)**	**(1,410,498)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Currency translation adjustments	(50,078)	(52,638)	(102,716)	(1,687,233)
Total comprehensive loss for the period	**(85,900)**	**(304,700)**	**(390,600)**	**(3,097,731)**
PetroNeft Share	**90%**	**50%**	**90%**	**50%**
Non-Controlling Interest/ Joint Venture Partner	**10%**	**50%**	**10%**	**50%**
	100%	**100%**	**100%**	**100%**
PetroNeft Share	(77,310)	(152,350)	(351,540)	(1,548,866)
Non-Controlling Interest/ Joint Venture Partner	(8,590)	(152,350)	(39,060)	(1,548,866)
	(85,900)	**(304,700)**	**(390,600)**	**(3,097,731)**

16. Oil and Gas Properties

	Wells US$	Equipment and facilities US$	Total US$
Cost			
At 1 January 2020	-	-	-
At 1 January 2021	**-**	**-**	**-**
Transferred from exploration and evaluation assets (Note 18)	3,960,847	101,131	4,061,978
Transferred from assets under construction (Note 19)	-	1,139,456	1,139,456
Translation adjustment	(72,092)	(58,571)	(130,663)
At 31 December 2021	**3,888,755**	**1,182,016**	**5,070,771**
Depreciation			
At 1 January 2020	-	-	-
At 1 January 2021	**-**	**-**	**-**
Charge for the year	54,446	11,020	65,466
Translation adjustment	(1,112)	(250)	(1,362)
At 31 December 2021	**53,334**	**10,770**	**64,104**
Net book values			
At 31 December 2021	**3,835,422**	**1,171,246**	**5,006,667**
At 31 December 2020	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2021

17. Property, Plant and Equipment

	Plant and machinery US$	Motor Vehicles US$	Property Plant and Equipment US$	Total US$
Cost				
At 1 January 2020	688,135	-	32,065	720,200
Disposals	(3,846)	-	-	(3,846)
Translation adjustment	(108,871)	-	-	(108,871)
At 1 January 2021	**575,418**	**-**	**32,065**	**607,483**
Additions	142,150	11,325	-	153,475
Disposals	-	-	-	-
Translation adjustment	(8,094)	116	-	(7,978)
At 31 December 2021	**709,474**	**11,441**	**32,065**	**752,980**
Depreciation				
At 1 January 2020	659,293	-	32,065	691,358
Charge for the year	21,671	-	-	21,671
Disposals	(3,846)	-	-	(3,846)
Translation adjustment	(106,381)	-	-	(106,381)
At 1 January 2021	**570,737**	**-**	**32,065**	**602,802**
Charge for the year	35,928	1,598	-	37,526
Translation adjustment	(5,918)	(47)	-	(5,965)
At 31 December 2021	**600,747**	**1,551**	**32,065**	**634,363**
Net book values				
At 31 December 2021	**108,727**	**9,890**	**-**	**118,618**
At 31 December 2020	4,682	-	-	4,682

Company	Plant and machinery US$
Cost	
At 1 January 2020	32,066
At 1 January 2021	32,066
At 31 December 2021	32,066
Depreciation	
At 1 January 2020	31,580
Charge for the year	(486)
At 1 January 2021	**32,066**
Charge for the period	-
At 31 December 2021	**32,066**
Net book values	
At 31 December 2021	**-**
At 31 December 2020	-

*Petrogrand AB has a first floating charge over the assets of the Company.

**At 31 December 2021 and 2020, there was no property, plant, and equipment capital commitments

18. Exploration and evaluation assets

Group	Exploration & Evaluation Expenditure US$
Cost	
At 1 January 2020	-
At 1 January 2021	-
Acquired through Business combination (Note 15)	20,824,936
Impairment of oil and exploration assets (Note 15)	(2,900,732)
Acquired through Business combination post impairment	17,924,204
Additions	730,901
Transferred to oil and gas properties (Note 16)	(3,960,847)
Transferred to equipment & facilities (Note 16)	(101,131)
Transferred to assets under construction (Note 19)	(1,135,999)
Transferred to intangible assets (Note 20)	(3,809,804)
Translation adjustment	83,444
At 31 December 2021	**9,730,768**
Net book values	
At 31 December 2021	**9,730,768**
At 31 December 2020	-

*At 31 December 2021 and 2020, there was no exploration and evaluation capital commitments

19. Assets under construction

Group	Assets under construction US$
Cost	
At 1 January 2020	-
At 1 January 2021	-
Transferred from exploration and evaluation assets (Note 18)	1,135,999
Transferred to Equipment and Facilities (Note 16)	(1,139,456)
Additions	495,983
Translation adjustment	24,427
At 31 December 2021	**516,953**
Net book values	
At 31 December 2021	**516,953**
At 31 December 2020	-

20. Intangible Assets

Group

	US$
Cost	
At 1 January 2020	-
At 1 January 2021	**-**
Transfer from Exploration and Evaluation Assets (Note 18)	3,809,804
Translation Adjustment	(66,710)
At 31 December 2021	**3,743,094**
Depreciation	
At 1 January 2020	-
At 1 January 2021	**-**
Charge for the year	64,698
Translation adjustment	19,305
At 31 December 2021	**84,003**
Net book values	
At 31 December 2021	**3,659,091**
At 31 December 2020	-

Intangible assets represent extraction rights attributable to License 67, which are amortised on a unit of production basis on commencement of commercial production. Extraction rights, subject to adherence to licencing conditions expire in 2039.

21. Investment in Joint Venture and Subsidiaries

Company	Investment in joint ventures US$	Investment in Subsidiaries US$	Total US$
Cost			
At 1 January 2020	-	13,848	13,848
At 1 January 2021	-	13,848	13,848
Investment in Russian BD Holdings B.V.*	-	8,717,000	8,717,000
At 31 December 2021		**8,730,848**	**8,730,848**
Net book values			
At 31 December 2021		**8,730,848**	**8,730,848**
At 31 December 2020		13,848	13,848

* Analysed as follow:	
Revaluation of 50% equity holding previously written off (Note 10)	3,625,000
Consideration for extra 40% equity acquired:	
Loan Consideration (Note 29)	1,700,000
Market value of equity shares issued. (Note 15)	3,392,000
Investment in Russian BD Holdings B.V.	**8,717,000**

21. Investment in Joint Venture and Subsidiaries (continued)

Details of the Company's holding in direct and indirect subsidiaries at 31st December 2021 are as follows:

Name of subsidiary	Registered office	Proportion of ownership interest	Proportion of voting power held	Principal activity
LLC Granite Construction	13 Sovpartshkolny Lane, Office 210, Tomsk 634009, Russia	100%	100%	Construction
LLC Dolomite	13 Sovpartshkolny Lane, Office 210, Tomsk 634009, Russia	100%	100%	Oil and gas exploration
Russian BD Holdings B.V.	Prins Bernhardplein 200, 1097 JB, Amsterdam, the Netherlands	90%	90%	Holding Company
LLC Lineynoye	13 Sovpartshkolny Lane, Office 210, Tomsk 634009, Russia	90%	90%	Oil and gas exploration

Details of the Group's interest in joint ventures at 31st December 2021 are as follows:

Name of entity	Registered office	Proportion of ownership interest	Proportion of voting power held	Principal activity
WorldAce Investments Limited	3 Themistocles Street, Nicosia, Cyprus	50%	50%	Holding Company
LLC Stimul-T	13 Sovpartshkolny Lane, Office 210, Tomsk 634009, Russia	50%	50%	Oil and gas exploration

Oil India International B.V. owns the other 50% of WorldAce Investments Limited.

22. Financial assets - loans and receivables

Group	2021	2020
	US$	US$
Loans to WorldAce Investments Limited (Note 34)	68,886,038	66,105,781
Loss Allowance	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited loss (Note 13)	(45,041,703)	(39,774,519)
	20,734,834	**23,221,761**
Loans to Russian BD Holdings B.V. (Note 34)	7,866,765	7,800,869
Less Accumulated Share of Joint Venture losses through February (Note 10)	(3,834,269)	(3,681,920)
Loans to Russian BD Holdings B.V., pre-Consolidation	**4,032,492**	**4,118,949**
Reversal of Accumulated Share of Joint Venture losses -Consolidation adjustment	3,834,269	-
Revaluation of Russian BD Holding B.V., loans post Acquisition	7,866,765	-
Interest accrued March to December	346,923	-
Loan advances	330,000	-
Loans to Russian BD Holdings B.V at 31 December	**8,543,688**	**4,118,949**
Elimination of Russian BD Holding B.V. loans payable to PetroNeft on Consolidation at year end	(8,543,688)	-
Total Group Loans to Joint Ventures	**20,734,834**	**27,340,710**

Company	2021	2020
	US$	US$
Loans to WorldAce Investments Limited (Note 34)	68,886,038	66,105,781
Loss Allowance	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited loss (Note 13)	(45,041,703)	(39,774,519)
	20,734,834	**23,221,761**
Loans to Russian BD Holdings B.V. (Note 34)	8,841,927	7,800,869
Less Accumulated Share of Joint Venture losses	-	(3,681,920)
	8,841,927	4,118,949
Less Loss Allowance on Reassigned Loan	(298,239)	-
	8,543,688	**4,118,949**
Total Company Loans to Joint Venture and Subsidiary	**29,278,522**	**27,340,710**

The Company has granted a loan facility to its joint venture undertaking WorldAce Investments Limited of up to US$45 million. This loan facility is US$ denominated and unsecured. Interest currently accrues on the loan at USD LIBOR plus 6.0%.

22. Financial assets - loans and receivables (continued)

The Company has agreed not to seek payment of interest until 30 June 2023 at the earliest. The loan is set to mature on 31 December 2025. As at 31 December 2021 the loan was fully drawn down. The realisation of financial assets of $20.7m in respect of WorldAce is dependent on the continued successful development of economic reserves which is subject to several uncertainties including the ability to raise finance, future rates of oil production and future international oil prices to continue to successfully generate revenue from the assets or the monetisation of the asset through a sale or farmout.
In March 2021, the Company increased its equity holding in Licence 67 from 50% to 90%. Also in March 2021, the Company announced commercial production on Licence 67. The C-4 well was successfully re-entered in Q1 2021 to perform an extended well test. During this test, the well flowed at various choke sizes from the same Upper Jurassic J1-1 & J1-3 clastic reservoirs and flowed naturally at up to a maximum 476 bopd on a 10mm choke size. The Cheremshanskoye field reserves are 19.26 mmbbls pf P1 and P2 which were confirmed by Miller and Lents reserve audit in 2021.In addition, the Company is also working on plans to re-enter two wells on the Ledovoye field, also in Licence 67, during the 2021/2022 period. Should this be successful the Company will be looking to both a) book additional reserves and b) promptly start production from the Ledovoye field. Like the Cheremshanskoye field, Ledovoye is ideally located close to existing infrastructure, being only 60m away from a major all-weather road. As per note 37, Important events after the balance sheet date, all shareholders of Russian BD Holdings B.V. passed a resolution, effective as of 9 February 2022, to convert all loan balances and payables owing to them, into the share premium account as part of equity of Russian BD Holdings B.V. Trading performance during 2021 rebounded from the lows of 2020, however the ongoing Covid pandemic plus the Russian / Ukrainian conflict have been considered as significant impairment factors. After due consideration it is considered that there is sufficient headroom in the detailed calculations of future trading performance of both WorldAce Investments Limited and Russian BD Holdings B.V., such that no impairment provision was recorded against the loans outstanding as of 31 December2021 on either a Company or Group level.

23. Inventories

	2021	2020
	US$	US$
Materials	86,842	19,387
	86,842	**19,387**

24. Trade and other receivables

Group	2021	2020
	US$	US$
Receivable from joint ventures (Note 34)	938,033	2,329,529
Trade Receivable	-	45,718
Prepayments	61,467	84,188
Advances to contractors	37,694	1,468
Other receivables	88,860	68,028
	1,126,054	**2,528,931**

Company	2021	2020
	US$	US$
Amounts owed by subsidiary undertakings (Note 34)	596,511	449,488
Amounts owed by other related companies (Note 34)	921,295	1,833,761
VAT Receivable	36,414	36,075
Prepayments	59,106	83,760
	1,613,326	**2,403,084**

24. Trade and other receivables (continued)

Other receivables are non-interest-bearing and are normally settled on 60-day terms. Amounts owed by subsidiary undertakings are interest-bearing. Interest is charged at 10%.

25. Cash and Cash Equivalents

Group	2021	2020
	US$	US$
Cash at bank	915,602	101,028
	915,602	**101,028**

Company	2021	2020
	US$	US$
Cash at bank	709,889	94,970
	709,889	**94,970**

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.

26. Share Capital - Group and Company

	2021	2020
	€	€
Authorised Share Capital		
1,250,000,000 (2020: 1,000,000,000) Ordinary Shares of €0.01 each	**12,500,000**	10,000,000
Authorised Share Capital increase of 250,000,000 Ordinary Shares of €0.01 each	-	2,500,000
	12,500,000	**12,500,000**

Allotted, called up and fully paid equity	Number of Ordinary Shares	Called up share capital US$
At 1 January 2020	721,130,500	9,585,965
Issued during the year	118,226,241	1,310,703
At 1 January 2021	**839,356,741**	**10,896,668**
Issued during the year	232,435,872	2,764,798
At 31 December 2021	**1,071,792,613**	**13,661,466**

During 2021 a total of 232,435, 872 shares were issued in contemplation of the following transactions:

- To part fund the acquisition of an extra 40% equity holding in Russian BD Holdings B.V. - 80,000,000 Ordinary shares
- To redeem the conversion rights on loan advance by Belgrave Naftogas B.V. to part fund the 40% equity holding in Russian BD Holdings B.V. -30,612,870 ordinary shares
- To redeem conversion rights on the 2019 Convertible debt – 54,621,848 ordinary shares
- To redeem conversion rights on the 2021 Convertible debt – 67,201,154 ordinary shares
- On conversion difference between the market prices of the equities and the agreed conversion price per the agreements gave rise to an accounting loss of US$1,753,874

27. Non-Controlling Interests

	2021 US$	2020 US$
At date of Business Combination (1 March 2021)	**725,000**	-
Share of Russian BD Holdings B.V. Profit/ (Loss)	(3,582)	-
Share of Russian BD Holdings B.V. Currency Exchange Differences	(5,008)	-
At 31 December	**716,410**	-

28. Provisions

	2021 US$	2020 US$
At 1 January		
Additions	**251,969**	-
Used during the year	-	-
Unused amounts reversed	-	-
Adjustment arising from changes in the discount rate	- -	-
Unwinding of discount (Note 9)	**2,660**	-
Translation adjustment	-	-
At 31 December	**254,629**	-

The decommissioning provision represents the present value of decommissioning costs relating to the Group's Russian oil interests, which are expected to be incurred near 2039. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. A discount rate of 12.6% is used for the assessment of the provision. The charge relating to the unwinding of the discount on the provision is reflected in finance costs in the Consolidated Income Statement.

These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil prices, which are inherently uncertain.

29. Loans and Borrowings

Group and Company	Effective interest rate %	Contractual maturity date	Group 2021 US$	Group 2020 US$	Company 2021 US$	Company 2020 US$
Interest-bearing						
Current liabilities						
Petrogrand AB	10.59%	15-Dec-22	2,271,495	2,675,774	2,271,495	2,675,774
Natlata Partner Limited	10.14%	31-Dec-22	238,911	632,417	238,911	632,417
ADM Consulting	10.16%	31-Dec-22	171,584	459,297	171,584	459,297
Daria Shaftelskaya	10.13%	31-Dec-22	102,170	269,259	102,170	269,259
Michael Murphy	10.14%	31-Dec-22	21,444	57,322	21,444	57,322
David Sturt	10.14%	31-Dec-22	21,437	57,322	21,437	57,322
Total current loans			**2,827,041**	**4,151,391**	**2,827,041**	**4,151,391**
Non- Current Liabilities						
Belgrave Naftogas B.V.	6.05%	31-Dec-25	1,809,140	-	-	-
Belgrave Naftogas B.V.	8.10%	04-Mar-24	914,396	-	914,396	-
Natlata Partners Limited	8.10%	11-Mar-23	147,079	-	147,079	-
ADM Consulting	8.10%	11-Mar-23	147,475	-	147,475	-
David Sturt	8.10%	11-Mar-23	81,040	-	81,040	-
Karl Johnson	8.10%	11-Mar-23	39,955	-	39,955	-
Pavel Tetyakov	8.10%	11-Mar-23	31,880	-	31,880	-
Others	8.10%	11-Mar-23	306,113	-	306,113	-
			3,477,078	-	1,667,938	-
Derivative financial liabilities	8.10%	11-Mar-23	313,168		313,168	
Total non-current loans			**3,790,246**	**4,151,391**	**1,981,106**	**4,151,391**
Total loans and borrowings			**6,617,287**	**4,151,391**	**4,808,147**	**4,151,391**
Contractual undiscounted liability			**6,617,287**	**4,151,391**	**4,808,147**	**4,151,391**

29. Loans and Borrowings (continued)

Changes in financial liabilities arising from financing activities	***Group***		***Company***	
	2021 US$	**2020 US$**	**2021 US$**	**2020 US$**
At 1 January	**4,151,391**	**4,242,849**	**4,151,391**	**4,242,849**
2021 Convertible debt -13 Lenders	2,903,802	-	2,903,802	-
Convertible debt- Belgrave Naftogas B.V.	1,700,000	-	1,700,000	-
Consolidate Loan Belgrave Naftogas B.V.-Licence 67	1,737,880	-	-	-
Accrued Interest	800,698	432,362	729,438	432,362
	11,293,771	**4,675,211**	**9,484,631**	**4,675,211**
Equity Conversion:				
a) 2019 Convertible debt- 5 lenders	(845,000)	-	(845,000)	-
b) 2021 Convertible debt - 9 lenders	(1,856,748)	-	(1,856,748)	-
c) Belgrave Naftogas B.V.	(850,000)	-	(850,000)	-
Interest Repayment	(88,013)	(277,746)	(88,013)	(277,746)
Principal Repayment	(574,430)	-	(574,430)	-
Loss/(Profit) on modification of financial liabilities	(354,194)	(218,898)	(354,194)	(218,898)
Loss/(Profit) on settlement of financial liabilities	(19,232)		(19,232)	
Reserve accounting for changes in financial liabilities	(83,182)	-	(83,182)	-
Translation Reserve	(5,685)	(27,176)	(5,685)	(27,176)
At period end	**6,617,287**	**4,151,391**	**4,808,147**	**4,151,391**

Loan facilities.

1. In 2018 the Company obtained a US$2M secured loan facility and subsequently increased by US$0.5M in 2019 from Petrogrand AB. The security 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. Post repayment of 20% of the revised loan balance including rolled up interest as of 31 December 2021, it was agreed the final maturity date would be 15th December 2022. Petrogrand AB is a related party by virtue of Maxim Korobov, until 17th January 2020 a director of PetroNeft, being a significant shareholder of Petrogrand AB. For details of transactions between PetroNeft and Petrogrand AB, see Note 34 Related party disclosures.

2. During 2021 all five lenders of the 2019 convertible loan facility elected to convert their rights into Ordinary Shares of the Company. The election was 65% of the loan principal amounting to US$0.845M, at a conversion price of US$0.01547 per ordinary share. On conversion, the interest element attributable to the converted amount was reduced to nil. The remaining principal carries an interest rate of USD LIBOR plus 8% and has a final revised maturity date of 31 December 2022.

3. PetroNeft on first time consolidation of Russian BD Holdings B.V., includes loans payable at Group level, to Belgrave Naftogas B.V., the former joint venture partner and now 10% equity holder in Russian BD Holdings B.V. The loan facility carries an interest rate of 3 months average LIBOR plus 5%, and the final date of maturity is 31 December 2025. After the balance sheet date as per Note 37, loans due and owing to Belgrave Naftogas B.V. were converted, as part of an agreed restructuring with PetroNeft, into share premium as part of the equity of Russian BD Holdings B.V.

29. Loans and Borrowings (continued)

4. The consideration for the acquisition of a further 40% equity in Russian BD Holding included both the issuance of shares in PetroNeft and a convertible loan facility of US$1.7M, with the holder of the loan retaining an option to convert 50% of the loan amount at 0.02p stg per share. During 2021 the holder of the loan Belgrave Naftogas B.V., made an election to convert their full entitlement, equating to US$0.85M. The remaining balance which carries a bank of England base rate plus 8% matures on 4 March 2024.

5. During 2021 PetroNeft entered a convertible loan facility of US$2.9M with a group of thirteen lenders, seven of which are related parties. Net cash proceeds received was US$2.245M, the balance of US$0.65M, discharged salaries and fees owing to directors and senior managers. The convertible loan, has a final maturity date of 11 March 2023, carries an interest rate of bank of England base rate plus 8%. The holders of the convertible debt are entitled to convert up to 75% of their loan amount into ordinary shares of PetroNeft at 0.02p stg within 1 year of signing the loan agreement and 0.025p stg within 2 years of signing. During 2021 a total of nine lenders made an election to convert, their full conversion amount. The principal on the Convertible loan post conversion was reduced by an amount of US$1.85M.

6. The Company performed an assessment under its accounting policies and the requirements of IAS 39 as to whether the restructuring of the terms of its loan facilities were deemed substantial modifications. As the net present value of the cashflows under the original terms and the modified terms was greater than 10%, the modification was accounted for as substantial. As a result, on completion of the restructuring the carrying value of the Petrogrand loan facility with a note value of US$2.274M (2020:US$2.894M) was derecognised by an amount of US$0.221M and increased by the reversal of the 2020 modification US$0.218M. Accordingly, the book value of the loan notes is US$2.271M and recognised at the date of the Statement of Financial Position. Similarly with the 2019 convertible Loan, the facility was derecognised by the sum of US$132,255 (2020:US$ Nil) and the note value was reduced to US$0.555M from US$0.687M. The gains arising on substantial modification of the loan notes has been recognised in the Income Statement as profits on modification of financial liabilities

30. Trade and other payables

	2021	2020
	US$	US$
Trade payables	329,956	552,841
Trade and other payables to joint ventures (Note 34)	712,455	703,333
Director Expenses	6,200	-
Corporation tax	55,232	55,232
Other taxes and social insurance costs	539,643	59,395
Accruals and other payables	258,451	543,651
	1,901,937	**1,914,452**

Company	**2021**	**2021**
	US$	US$
Trade payables	241,995	550,030
Director Expenses	6,200	-
Corporation tax	55,232	55,232
Other taxes and social welfare costs	10,879	30,971
Accruals and other payables	256,661	1,155,028
	570,967	**1,791,261**

30. Trade and other payables (continued)

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.

31. Financial risk management objectives and policies

The Group's and Company's principal financial instruments comprise loans to its joint venture undertaking, cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group and Company's financial instruments are commodity price risk, foreign currency risk, credit risk, climate risk, liquidity risk, interest rate risk and capital risk. The Board reviews and agrees policies for managing each of these risks which are summarised below.

Commodity price risk
The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the oil produced by its subsidiary and its joint venture interest. Historically the Group and its joint venture have sold all their oil on the domestic market in Russia. Starting in 2021, the Group commenced exports, with up to 7% of total oil produced from its operating units being exported. There are no banks providing hedging or derivative type contracts for oil sold on the domestic market, so it is not possible to mitigate risks in this way. The high taxes on oil produced in Russia are based on prevailing international oil prices and therefore operate as a natural hedge to a fall in oil prices. At 31 December 2021 and 2020, the Group and the Company had no outstanding commodity contracts.

Foreign currency risk
The Group and the Company undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate.

At 31 December 2021 and 2020, the Group and the Company had no outstanding forward exchange contracts.

The Group's and the Company's principal currency exposures arise in the currencies of Russian Rouble, Euro, UK Sterling, and US Dollar. The Group has an exposure to US Dollars because the functional currency of its Russian subsidiaries is Russian Roubles. A change in the US Dollar: Russian Rouble exchange rate will therefore result in a foreign exchange gain or loss on the US Dollar denominated balances in these subsidiaries. The Group and the Company have an exposure to Russian Rouble, Euro, and UK Sterling because the Company has trade and other receivables and payables denominated in these currencies. In addition, the Group has an exposure to Russian Rouble as currency translation of the foreign subsidiaries and joint venture affects the Group's net equity.

Foreign currency sensitivity analysis
In accordance with IFRS 7, the impact of foreign currencies is determined based on the balances of financial assets and liabilities at 31 December 2021. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and largely results from payables and receivables and adjusts their translation at the year-end for a 5% change in foreign currency rates.

If the US Dollar had gained/lost 5% against all currencies significant to the Group and Company at 31 December, the impact on loss and equity for the Group and the Company is shown below.

31. Financial risk management objectives and policies (continued)

Group	Change in USD/RUB	Effect on loss before tax US$	Effect on pre-tax equity US$	Change in USD/EUR	Effect on loss before tax US$	Effect on pre-tax equity US$	Change in USD/GBP	Effect on loss before tax US$	Effect on pre-tax equity US$
2021	5%	-11,796	-11,796	5%	2,526	2,526	5%	-20,497	-20,497
2021	-5%	13,038	13,038	-5%	-2,792	-2,792	-5%	-884	-884
2020	5%	181,785	-181,785	5%	-7,161	-7,161	5%	3,201	3,201
2020	-5%	153,261	-153,261	-5%	-68,974	-68,974	-5%	-3,734	-3,734

Company	Change in USD/RUB	Effect on profit before tax US$	Effect on pre-tax equity US$	Change in USD/EUR	Effect on profit before tax US$	Effect on pre-tax equity US$	Change in USD/GBP	Effect on profit before tax US$	Effect on pre-tax equity US$
2021	5%	-11,796	-11,796	5%	2,526	2,526	5%	-20,497	-20,497
2021	-5%	13,038	13,038	-5%	-2,792	-2,792	-5%	-884	-884
2020	5%	181,785	-181,785	5%	-7,161	-7,161	5%	3,201	3,201
2020	-5%	153,261	-153,261	-5%	-68,974	-68,974	-5%	-3,734	-3,734

Credit risk

Credit risk arises from contractual cash flows of debt instruments carried at amortised cost, cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables from joint ventures.

Climate Risk

The risks associated with climate change are subject to rapidly increasing societal, regulatory, and political focus. Embedded climate risk into the Group's risk framework in line with regulatory expectations and adapting the Group's operations and business strategy to address both the financial risks resulting from: (i) the physical risk of climate change (ii) the risk of a transition to a low carbon economy, could have a significant impact on the Group's operations. Physical risks from climate change arise from several factors and relate to specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain, but they are increasing in frequency and their impact on the global economy is predicted to be more acute in the future. The potential impact on economies includes, but is not limited to, lower GDP growth, higher unemployment, and significant changes in asset prices and profitability of industries. Damage to properties and operations of PetroNeft's subsidiaries and joint venture could lead to increased write offs and impairment charges in the Group's and Company's financial statements.

As the economy transitions to a low carbon economy, Oil and Gas operations such as the Group may face significant and rapid developments in stakeholder expectation, policy, law, and regulation which could impact activities the Group undertakes, as well as the risks associated with its loan recoverability from its joint venture operations and impact adversely the Group's financial assets.

As sentiment toward climate change shifts and societal preferences change, the Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact demand for the Group's products, returns on certain business activities and the value of certain assets and trading positions resulting in impairment charges. If the Group does not adequately embed risk associated with climate change into its risk framework

31. Financial risk management objectives and policies (continued)

to appropriately, measure, manage and disclose the various financial and operational risks it faces because of climate change, or fails to adapt its business model and business strategy to the changing regulatory requirement and market expectations on a timely basis, it may have a material and adverse on the Group's level of business growth, competitiveness, profitability, capital requirements, cost of funding and financial condition.

Risk management
Credit risk is managed on a group basis according to established policies, procedures, and controls. Credit quality is assessed in line with credit rating criteria and credit limits are established where appropriate.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Management assesses the credit quality of the customer, considering its financial position, experience, and other factors. As the Group does not have any trade receivables outstanding from third parties, this risk is minimal. Recoverability of amounts due from joint venture companies are dependent on the success of the joint ventures.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for the loans and trade and other receivables from its joint venture WorldAce Investment Limited and PetroNeft's subsidiary Russian BD Holding B.V. The Group and the Company define counterparties as having similar characteristics if they are connected entities.

(ii) Impairment of financial assets
The Group and the Company have the following types of financial assets that are subject to the expected credit loss model:

- Trade Receivables – Qualify for the simplified model provided they are trade receivables and do not contain a significant financing component.
- Intra-Group Loans – General Impairment Model applies
- Cash and cash equivalents

Trade Receivables
Within the PetroNeft Group, a provision matrix has been developed to measure the expected credit loss on trade receivables. Trade receivables are grouped by aging of receivable and by type (receivable from related parties and receivables from third parties). This grouping is based on management judgement of the risk characteristics and is based on internal sub-groupings.

The Group has determined the historical period of 36 months prior to date at which the expected credit loss is measured to determine historical loss data. For receivables from related parties, it has been determined that over the historical period there has been a zero percent loss rate. Notwithstanding the fact that some of these trade receivables may go substantially past due, these amounts are managed on a Group basis by the ultimate controlling party and as such, no loss has been recorded or is expected on these amounts.

Based on the historical loss rate of close to 0% and forward-looking information at the reporting date, the Group has applied prudent expected loss rates across the various sub-groupings and the final expected credit loss has been determined as immaterial.

Intra-Group Loans
PetroNeft has granted loans to its joint ventures and subsidiaries over the years. The largest portion of these intra-Group loans is to WorldAce Investments Limited, bears interest at USD LIBOR plus 6.0% and have a maturity date of 31 December 2025.

31. Financial risk management objectives and policies (continued)

No further ECL have being estimated for 2021 or accrued for 2020.

When measuring ECL the Group uses reasonable and supportable forward-looking information incorporated in the financial model to estimate the ECL. The model encompasses multiple scenarios which outcomes are multiplied by estimated probability factors. The ECL is the sum of probability weighted scenarios.

The forward-looking information, including macroeconomic factors (such as consumer price index, oil prices, interest rates and exchange rates), is based on assumptions for the future movement of different economic drivers relevant to the Group's business and how these drivers will affect each other. The probability factors are based on management's estimate of the likelihood of different scenarios.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows*:*

Category	**Company definition of category**	**Basis for recognition of expected credit loss provision**	**Basis for calculation of interest revenue**
Performing	Counterparties have a minimal risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

31. Financial risk management objectives and policies (continued)

The Group's and Company's exposure to credit risk and the credit quality of its financial assets is presented below:

2021	Internal credit rating	External credit rating	ECL	Gross carrying amount US$	Accumulated joint venture losses US$	Loss allowance US$	Net carrying amount US$
Group:							
Loans to joint venture-WorldAce	N/A	N/A	General Impairment Model applies	68,886,038	(45,041,703)	(3,109,501)	20,734,834
Company:							
Loans to subsidiary Russian BD Holdings B.V and joint venture WorldAce	N/A	N/A	General Impairment Model applies	77,727,965	(45,041,703)	(3,407,740)	29,278,522

Cash and cash equivalents
The total amount of US$915,602 are cash held in banks. Credit losses are expected to have an immaterial effect on cash and cash equivalents.

Liquidity risk management

Liquidity risk is the risk that the Group and the Company will encounter difficulties in meeting obligations associated with their financial liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who manage liquidity risk and short, medium, and long-term funding and liquidity management requirements by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group and the Company. To date, the Group and the Company have relied on shareholder funding, loan facilities and normal trade credit to finance its operations. As at 31 December 2020, the Group, and the Company have outstanding loan facilities as described in Note 29 above.

The expected maturity of the Group and Company's third-party financial assets (excluding prepayments) as at 31 December 2021 and 2020 was less than one month. The expected maturity of the Group and Company's related party financial assets as of 31 December 2021 and 2020 is more than one year. The Group and the Company further mitigate liquidity risk by maintaining an insurance programme to minimise exposure to insurable losses. The Group and the Company had no derivative financial instruments as of 31 December 2021 and 2020.

The tables below show the projected contractual undiscounted total cash outflows arising from the Group's and Company's trade and other payables and gross debt based on the earliest date on which the Group is expected to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived by using rate applicable on 31 December 2021 (2020: 31 December 2020). These projections are based on the foreign exchange rates applying on 31 December 2021 (2020: 31 December 2020):

31. Financial risk management objectives and policies (*continued*)

Group	***Within 1 year***	***Between 1 and 2 years***	***Between 2 to 5 years***	***After 5 years***	***Total***
Year ended 31 December 2021	**US$**	**US$**	**US$**	**US$**	**US$**
Interest-bearing loans and borrowings					
- current	3,064,558	2,232,041	2,150,057	-	7,446,657
Trade and other payables	1,300,862	-	-	-	1,300,862
	4,365,420	**2,232,041**	**2,150,057**	**0**	**8,747,519**

Group	***Within 1 year***	***Between 1 and 2 years***	***Between 2 to 5 years***	***After 5 years***	***Total***
Year ended 31 December 2020	**US$**	**US$**	**US$**	**US$**	**US$**
Interest-bearing loans and borrowings					
- current	4,512,001				4,512,001
Trade and other payables	1,799,825	-	-	-	1,799,825
	6,311,826	**0**	**0**	**0**	**6,311,826**

Company	***Within 1 year***	***Between 1 and 2 years***	***Between 2 to 5 years***	***After 5 years***	***Total***
Year ended 31 December 2021	**US$**	**US$**	**US$**	**US$**	**US$**
Interest-bearing loans and borrowings					
- current	3,064,558	2,232,041	0	-	5,296,600
Trade and other payables	498,656	-	-	-	498,656
	3,563,214	**2,232,041**	**0**	**0**	**5,795,256**
Year ended 31 December 2020					
Interest-bearing loans and borrowings					
- current	4,512,001				4,512,001
Trade and other payables	1,705,058	-	-	-	1,705,058
	6,217,059	**0**	**0**	**0**	**6,217,059**

Interest rate risk

The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's loans to joint ventures which are tied to the LIBOR interest rate, and their holdings of cash and short-term deposits which are on variable rates ranging from 0.1% to 0.5%.

Financial instrument	**Fixed %**	**Variable %**
Interest-bearing loans to joint venture-WorldAce Investments Ltd	6.0%	US$ LIBOR

The effect of a rise of 1% in the LIBOR interest rate (e.g., from 2.4% to 3.4%) receivable on loans to joint venture would be to increase Group loss before tax by US$66,000 and Company profit before tax by US$450,000

It is the Group and Company's policy, as part of its disciplined management of the budgetary process, to place surplus funds on short-term deposit to maximise interest earned.

31. Financial risk management objectives and policies (*continued*)

Capital risk management

The Group and the Company manage capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group and the Company manage their capital structure and adjust it considering changes in economic conditions. To maintain or adjust its capital structure, the Group and the Company may issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020. The capital structure of the Group and the Company consists of equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained losses as disclosed in the Consolidated Statement of Changes in Equity as well as external debt.

Fair values

The carrying amount of the Company's financial assets and the Group and Company's financial liabilities is a reasonable approximation of the fair value and there is no specific items of financial assets or liabilities stated at fair value. The carrying amount of the Group's financial assets is lower than the estimated fair value because of the adjustment required in accordance with IAS 28 arising primarily from the currency translation adjustments in the joint venture companies that exceeded the carrying value of the equity accounted investment in joint venture. See notes 13 and 14. The carrying value of the loans to WorldAce in the Group and Company is US$20.73 million, which approximates the fair value.

The carrying value of the loans to Russian BD Holdings B.V. in the Company, as reported in accordance with IAS 27, is US$8.54 million, which approximates the fair value. See note 22.

The fair value of the Group's financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

Hedging

At the year ended 31 December 2021 and 2020, the Group had no outstanding contracts designated as hedges.

Offsetting of financial assets and liabilities

No financial assets and liabilities were offset in the balance sheet as of 31 December 2021 and 2020.

32. Loss of Parent Undertaking

The Company is availing of the exemption set out in section 304 of the Companies Act 2014 from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The amount of the profit dealt with in the Parent undertaking for the year was US$1,369,473 (2020: loss of US$12,231,171).

33. Future minimum rentals payable under short term leases at the balance sheet date are as follows:

	2021 **US$**	**2020** **US$**
Land and buildings		
Within one year	2,722	2,722
	2,722	**2,722**

There were no capital commitments as of 31 December 2021 or 31 December 2020.

34. Related party disclosures

Transactions with subsidiaries
Transactions between the Group and its subsidiaries, Russian BD Holdings B.V, Granite and Dolomite have been eliminated on consolidation. The Company had the following transactions with its subsidiaries during the years ended 31 December 2021 and 2020.

As and from 1 March 2021, Russian BD Holdings B.V. was consolidated as PetroNeft increased its shareholding to 90% from 50%. For information purposes only the Company activity with Russian BD Holding B.V. for fiscal 2020 is shown below.

Transactions with Russian BD Holdings B.V.

	2021 US$	2020 US$
At 1 January	8,195,983	7,277,550
Advanced during the year	400,812	124,195
Transactions during the year	127,000	209,092
Interest accrued in the year	711,058	440,822
Payments for services made during the year	(13,972)	65,630
Loss Allowance (Note 22)	(298,239)	-
Translation adjustment	-	78,694
At 31 December	**9,122,642**	**8,195,983**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	8,543,688	7,800,869
Trade and other receivables (Note 24)	578,954	395,114
	9,122,642	**8,195,983**

Transactions with Granite construction

	2021 US$	2020 US$
At 1 January	54,374	222,604
Interest accrued in the year	-	-
Loan repaid in the year	(26,990)	(79,993)
Loss Allowance		-
Translation adjustment	(9,827)	(88,237)
At 31 December (Note 24)	**17,557**	**54,374**

34. Related party disclosures (continued)

Transactions with joint venture partners.
PetroNeft had the following transactions with its joint venture partners in 2021 and 2021. As and from 1 March 2021, Russian BD Holdings B.V. ceased to be a joint venture arrangement as PetroNeft acquired a further 40% equity share.

Transactions with JV Partner WorldAce Investment Limited for both PTR Company and Group

Company	2021 US$	2020 US$
At 1 January	64,830,041	60,627,473
Advanced during the year	160,879	152,900
Transactions during the year	406,577	686,498
Interest accrued in the year	2,780,253	3,142,150
Payments for services made during the year	(1,479,921)	224,956
Translation adjustment	-	(3,936)
At 31 December	**66,697,829**	**64,830,041**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	68,886,038	66,105,781
Trade and other receivables (Note 24)	921,2925	1,833,761
Loss Allowance	(3,109,501)	(3,109,501)
	66,697,829	**64,8830,041**

Group	2021 US$	2020 US$
At 1 January 2021	24,397,906	32,611,241
Advanced during the year	321,455	152,900
Transactions during the year	1,336,106	1,524,310
Interest accrued in the year	2,780,253	3,142,150
Payments for services made during the year	(2,388,119)	(604,237)
Loans received from WorldAce Group during the year	(201,560)	-
Interest receivable accrued in the year	(8,106)	-
Share of joint venture's translation adjustment	(5,267,185)	(12,472,780)
Translation adjustment	(10,342)	44,322
At 31 December	**20,960,407**	**24,397,906**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	20,734,834	23,221,761
Trade and other receivables (Note 24)	938,033	1,879,475
Trade and other payables (Note 30)	(712,455)	(703,333)
	20,960,412	**24,397,906**

34. Related party disclosures (continued)

Transactions with JV Partner Russia BD Holding B.V. and PTR Group only.

(Note: Activity shown for Russian BD Holdings BV for 2021)

Group	2021 US$	2020 US$
At 1 January	4,569,000	5,227,243
Advanced during the year	400,812	124,195
Transactions during the year	127,000	209,092
Interest accrued in the year	711,058	440,822
Payments for services made during the year	(13,972)	65,630
Share of joint venture's translation adjustment	(152,350)	(1,548,866)
Consolidation Elimination	(5,641,548)	-
Translation adjustment	-	50,884
At 31 December	**-**	**4,569,000**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	-	4,118,949
Trade and other receivables (Note 24)	-	450,051
Loss Allowance	-	-
	-	**4,569,000**

Remuneration of key management

Key management comprise the Directors, the Vice Presidents of Business Development and Operations of the Company and the consulting fees paid to Tsarina Development Limited for finance and Company secretarial support.

Renumeration of key management	2021 US$	2020 US$
Compensation of key management	1,024,154	1,154,882
Contributions to defined contribution pension plan	52,404	79,161
Consulting fees (Tsarina Development Limited-Michael Power)	60,640	121,884
At 31 December	**1,137,198**	**1,355,927**

The following amounts were owed to existing key management, former management as at 31st December 2021 and 2020

Renumeration of key management	2021 US$	2020 US$
Renumeration, fees and expenses due to Directors who were in office during the year	172,926	470,023
Renumeration due to other key management	36,906	558,509
Consulting fees (Tsarina Development Limited- Michael Power)	13,744	11,314
Consulting fees (HGR Consulting- former CFO Paul Dowling)	2,090	9,246
At 31 December	**225,666**	**1,049,092**

34. Related party disclosures (continued)

During 2021 of the total 232,435,872 shares, a sum of 205,878,646 issued shares were issued to related parties, which includes both former and current Directors and Senior Management in satisfaction of USS4.08 million debts owing. In accordance with IFRS 2 Share based payments, where the agreed exercise price of the shares transferred was lower than the market price at time of exercise an implied loss of US$1.315M was reported in the Income Statement.

During 2021 amounts owing to Directors and Senior Management in the sum of US$658,802 was reclassed as Convertible debt as part of the 2021 debt funding program. The convertible loan interest rate is bank of England base rate plus 8%. Holders of the loan may convert up to 75% of their loan into ordinary equities of the Company at 0.02p stg within the first 1 year of signing the loan agreement and 0.025p stg within 2 years. During 2021 of the total of US$658,802 a sum of US$361,856 of convertible debt was converted into ordinary shares of the Company through the issuance of 13,032,277 shares.

Transactions with Petrogrand AB
Petrogrand AB is a related party by virtue of Maxim Korobov, current beneficial owner of 25.7% equity in PetroNeft and a former director of PetroNeft who resigned as PetroNeft's Company Director on 17 January 2020. The loan facility is secured by way of a floating charge on the assets of the Company, carries an interest of US$ LIBOR plus 9%. The loan facility will be repaid on the earliest of the following events, the sale of either or both licences or the final redemption date of 15 December 2022.

The following is the history of this transaction in:

Company	Petrogrand AB US$
Loans	
2018- Loan facility amount	**2,000,000**
2019- Loan advances	500,000
Interest accrued but not yet paid	394,672
Profit on modification of financial liabilities	(218,898)
At 1 January 2021 (Note 29)	**2,675,774**
Interest accrued in the year	261,205
Unwinding prior year loan modification	218,898
Current year loan modification	(221,939)
Loan principal repaid during the year	(574,430)
Loan interest repaid during the year	(88,013)
At 31 December 2021 (Note 29)	**2,271,495**
At 31 December 2020 (Note 29)	**2,675,774**

Transactions with Belgrave Naftogas B.V.
Belgrave Naftogas B.V. is a related party by virtue of Alastair McBain, current beneficial owner of 14.46% equity in PetroNeft, who was initially appointed non-executive director on 29 January 2021 and later non-executive chairman on 19 February 2021. Belgrave Naftogas B.V, initially provided a loan facility to Russian BD Holdings B.V, in its capacity as joint venture partner holding 50% equity in Russian BD Holdings B.V. The loan facility's maturity date is 31 December 2025 and carries interest at 3-month average LIBOR plus 5%. As part of the acquisition by PetroNeft of an extra 40% holding in Russian BD Holding, 80% of the loan balance due and owing to Belgrave Naftogas as of 31 December 2020 was reassigned to PetroNeft.

PetroNeft funded the acquisition through the issuance of 80,000,000 ordinary shares to Belgrave Naftogas B.V., plus the seller provided PetroNeft a convertible loan facility equally to US1.7M at bank of England base rate plus 8%. The loan advanced carried an option to convert up to 50% of the loan facility into ordinary shares of PetroNeft at a price of GBP 0.02p

34. Related party disclosures (*continued*)

per share. During the year, lender exercised their conversion rights. The following is the history of the above-mentioned transactions

Transactions with Belgrave Naftogas B.V and PetroNeft.

Group Only - Original Joint Venture loan	2021 US$	2020 US$
At 1 January	8,580,601	7,580,706
Interest accrued in the year	149,885	999,895
Belgrave loan reassigned to PetroNeft	(6,921,346)	-
At 31 December	**1,809,140**	**8,580,601**

Group & Company- Loan to fund 40% acquisition in L67	2021 US$	2020 US$
At 1 January	-	-
Advanced during the year	1,700,000	-
Conversion to ordinary shares PetroNeft	(850,000)	-
Interest accrued in year	64,395	-
At 31 December	**914,395**	**-**

Convertible Loan agreed in June 2019

PetroNeft entered a convertible loan facility of US$1.3M with a group of five investors in June 2019. All lenders listed below elected in April 2021 to exercise their 65% conversion rights on the original loan advances. In January 2022, the lenders agreed any loan principal balance outstanding may be converted at the rate of STG0.06p per Ordinary share of the Company. Listed below is of 31 December 2021, the balance owing to the related parties on the June 2019 funding was as follows:

Lender	**Amount provided (US$)**	**Interest accrued and not yet paid (US$)**	**Amount due 31 December 2021 (US$)**	**Relationship at time of transaction**
Natlata Partners LLP.	196,000	42,911	238,911	Ultimate beneficial owner is Maxim Korobov, former PetroNeft director
ADM FZE	140,000	31,584	171,584	Ultimate beneficial owner is Alastair McBain, current PetroNeft director and chairman
Daria Shaftelskaya	84,000	18,171	102,170	Substantial shareholder of PetroNeft and current director.
David Sturt	17,500	3,937	21,437	PetroNeft director, chief executive officer and shareholder

34. Related party disclosures (*continued*)

New Loan agreed in February 2021
PetroNeft entered a convertible loan facility of US$2.9M with a group of thirteen investors in February 2021. Of the thirteen lenders seven are related parties. Up to 75% of the loan maybe converted into ordinary shares of PetroNeft at GBP 0.02p per share within 12 months of signing the loan agreement and 0.025p within 24 months of signing. The interest rate is the Bank of England base rate plus 8%. Of the seven lenders listed below, all bar David Golder, former chairman PetroNeft and Karl Johnson, previous vice president of Operations had elected to convert within 2021. As of 31 December 2021, the balance owing to the related parties on the February 2021 funding was as follows:

Lender	Amount provided (US$)	Interest accrued and not yet paid (US$)	FVTPL (US$)	Amount due 31 December 2021 (US$)	Relationship at time of transaction
Natlata Partners LLP.	137,500	9,579		147,079	Ultimate beneficial owner is Maxim Korobov, former PetroNeft director
ADM FZE	137,455	10,020		147,475	Ultimate beneficial owner is Alastair McBain, current PetroNeft director and chairman
David Sturt	75,120	5,920		81,040	PetroNeft director, chief executive officer and shareholder
Pavel Tetyakov	29,552	2,328		31,880	PetroNeft director, vice president business development and shareholder
Karl Johnson	150,000	5,751	(7,621)	148,130	PetroNeft's vice president of operations
Alken Kuanbay	15,946	1,258		17,204	PetroNeft finance director
David Golder	26,328	1,088	(1,352)	26,064	PetroNeft's former chairman

35. Share-based payment

Share options
The expense recognised for employee services during the year is US$NIL (2020: US$NIL). The Group currently does not have a share-based payment scheme in operation, post expiration of the previous plan in 2019.

Share Options outstanding	2021 US$	2020 US$
In Issue.	17,442,269	54,621,849
	17,442,269	**54,621,849**

35. Share-based payment (continued)

At 31 December 2021, the share options in issue relate entirely to those 4 lenders who contributed to the February 2021 convertible funding program who had not made an election to exercise their conversion rights. Given it is now 12 months since signing of the original loan agreements, they may elect within the next 12 months to convert at 0.025p stg per share.

36. Accounting policies up to 31 December 2020

There was no change in accounting policies applicable to the comparative period ended 31 December 2020, as the Company and Group adheres to the latest accounting pronouncements and adhere to IFRS standards.

37. Important Events after the Balance Sheet Date

The Covid pandemic is an ongoing global crisis, and the Company was not immune from its economic impact. These Annual Accounts and Financial Statements reports that all the Company's stakeholders continue to support the operations during these periods of uncertainty. While there has been a considerable rebound in the oil price per barrel, the volatility in the rouble / dollar exchange rate, plus added inflationary pressures, and the impact of the Russian /Ukrainian conflict makes forecasting more difficult.

The uncertainty bought about with the Covid pandemic has been compounded by the onset of the Russian / Ukrainian conflict, which has led the global community to the imposition of more substantial and penal sanctions on the Russian government and its officials. The sanctions led to prohibitions on doing business with key banks in Russia, of which Promsvyazbank is listed.
PetroNeft is committed to adhering to all laws in the jurisdictions in which it operates. The local PetroNeft office in Tomsk, has secured alternative banking arrangements by opening local accounts with Raiffeisen bank.
PetroNeft had committed to an extensive capital investment program during 2022, with a view to proving up reserves and boosting production. Funding for this program was primarily third-party lending. Given the evolving nature and severity of the sanctions, both directors and senior management will review the investment program as to timing and proceed when there is more certainty as to the long-term nature of the evolving sanctions program.

In early February 2022, all shareholders of Russian BD Holdings agreed by way of board resolution to convert loans outstanding to them as share premium contributions to the equity of Russian BD Holdings B.V. Likewise loans owing by Lineynoye LLC to Russian BD Holdings B.V. will similarly be converted into equity contributions of Lineynoye LLC.

As announced by the Company, Nord Imperial LLC suspended all transhipments of oil from Stimul T LLC, the 100% subsidiary of PetroNeft's joint venture WorldAce Investment Limited who own 100% of Licence 61. Suspension was a unilateral act by Nord Imperial LLC, given both it and Stimul T LLC have been engaged in a legal dispute over the transhipment tariff rates dating back to 2015. The management of Stimul T LLC deem the transhipment rates as excessive and are highly indicative of abusive market practises by Nord Imperial LLC. The suspension, given no viable alternative transhipment route, see Oil revenues at Stimul - T LLC reduced to zero and no near-term alternative Income stream. The Company is working with all stakeholders to seek an amicable settlement to the dispute but crucially one which reflects normal market tariffs which would make further investment in Licence 61 more viable.

38. Contingent Liability

	2021	2020
	US$	US$
	5,000,000	5,000,000
	5,000,000	**5,000,000**

In consideration for the loan advances and extending out the repayment period, Petrogrand AB is entitled to receive additional fees in the sum of US$2,500,000 per licence if the sale of either or both occurs before the 31 December 2024.

The obligation and liability shall survive the repayment or mandatory repayment of the Petrogrand AB loan and shall continue to be secured by the floating charge.

39. Approval of financial statements

The financial statements were approved, and authorised for issue, by the Board of Directors on 27 September 2022.

Corporate Governance Code

The London Stock Exchange, new AIM Rules were published in March 2018. One of the key amendments is in respect of AIM Rule 26 (as set out in AIM Notice 50), which now requires AIM companies to state on their website which recognised corporate governance code they apply and how they have applied that code.

The Board of Directors of PetroNeft Resources Plc is committed, where practicable, to developing and applying exacting standards of corporate governance appropriate to the Company's size and stage of development. The Board of Directors seeks to apply the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the diverse needs of growing companies.

A revised version of the QCA Code (the "Revised Code") was published in April 2018, based on the 'comply or explain' principle.

The QCA Code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under 'application') and a set of disclosures. The Code states what is appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

The table below sets out the principles, the application recommended by the QCA code. It then sets out how PetroNeft complies with these requirements and departures from code and provides links to appropriate disclosures. These are based upon the recommended disclosures provided in the QCA code.

These disclosures were last reviewed on the 31 March 2022.

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		DELIVER GROWTH		
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the Company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.	The Board of Directors has clearly set out vision for PetroNeft for the medium to long term that it regularly sets out in communications with stakeholders. The Board of Directors meet on a regular basis to discuss the strategic direction of the Company, and progress in achieving against its aims. PetroNeft provides detailed disclosure on the Company's business model and strategy in the Annual Report.	None	www.PetroNeft.com
2. Seek to understand and meet shareholder needs and expectations	Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	PetroNeft has a Board of Directors with experience in understanding the needs and expectations of its shareholder base. It supplements this board with professional advisers in the form of a Public Relations Company, NOMAD, Joint Brokers, Auditor and Company Secretary who provide advice and recommendations in various areas of its communications with shareholders. PetroNeft engages with shareholders in the following way: - The Company website has been designed as a hub to provide information to shareholders and communicate with them. The website is regularly reviewed to ensure the information is up to date and	The Company does not currently have a dedicated investor relations role. The Board feels that this is appropriate given the size and stage of development of the Company.	www.PetroNeft.com

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		relevant. The website contains copies of all Company communications and public documents. - The Company provides regular updates to the market via the Regulatory News Service. - The Company's Annual Report provides required information about historical performance, strategy, and objectives of the Company. An Annual General Meeting is held to which all shareholders are invited and may engage with the Board of Directors. - Contact details for the Company are provided on the Company website along with public documents.		
3. Consider wider stakeholder and social responsibilities and their implications for long-term success	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators, and others). The board needs to identify the Company's stakeholders and understand their needs, interests, and expectations. Where matters that relate to the Company's impact on society, the communities within which it operates or the environment have the potential to affect the Company's ability to deliver shareholder value over the medium	Key resources and relationships and on which the business relies are its workforce, suppliers, sub-contractors, shareholders, local community, and regulatory authorities. - Employees are encouraged to raise any concerns they may have with relevant management and are also provided with independent contact should they not want to engage directly with their managers. - The mechanisms for feedback from shareholders have been considered under point (2) above. - Feedback from regulators is provided via the regular framework of reporting and inspections that are carried out and the	The Company does not have a formal feedback mechanism with respect to stakeholder outside the Company. The board will keep this under consideration and put in place procedures when it is felt appropriate. External stakeholders can contact the Company via their key contact, or	

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	to long-term, then those matters must be integrated into the Company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	Board received regular feedback on all material findings. -In December 2021, the Company established an Environmental, Social and Governance Committee (ESG) and approved the Committee's Constitution and Terms of Reference. Appointment on a full-time basis Andrei Zarubbin, as the Company's Sustainability Manager.	directly via the website, Company's NOMAD or at the AGM.	
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks to execute and deliver strategy; companies need to consider their extended business, including the Company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the Company can bear and willing to take (risk tolerance and risk appetite).	PetroNeft recognises that risk is inherent in all its business activities. Its risks can have a financial, operational, environmental, or reputational impact. The Company's system of risk identification, supported by established governance controls, ensures that it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all our stakeholders. Once identified, risks are evaluated to establish root causes, financial and non-financial impacts, and likelihood of occurrence. Consideration of risk impact and likelihood is considered to create a prioritised risk register and to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these will be identified, and responsibilities assigned. The Company's management is responsible for monitoring	None	Annual Report

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		the progress of actions to mitigate key risks. The risk management process is continuous; key risks are reported to the Audit Committee and at least once a year to the full Board.		
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK				
5. Maintain the board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g., audit, remuneration, nomination, ESG) that have the necessary skills and knowledge to discharge their duties and responsibilities	The Board has six directors, four of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is always to act in the best interests of the Company. The Board also addresses issues relating to internal controls and risk management. The non-executive directors, Alastair McBain, Anthony Sacca, Daria Shaftelskaya and Eskil Jersing. Considered independent are Anthony Sacca and Eskil Jersing. The non-executive director brings a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk, and performance. The independence of each non-executive director is assessed at least annually.		

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	effectively. Directors must commit the time necessary to fulfil their roles.	The Board of Directors meet at least six times a year as a full board. The board has appointed several subcommittees to assist in its activities. The terms of reference of the board committees are reviewed regularly and are available on the Company's website www.PetroNeft.com The Remuneration Committee consists of Alastair McBain (Committee Chairman) and Anthony Sacca. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Nomination Committee meets as required to consider the composition of and succession planning for the Board, and to lead the process of appointments to the Board. The Committee Chairman is Alastair McBain. The other member of the Committee is Anthony Sacca The Audit Committee consists of two non-executive Directors: Anthony Sacca, (Committee Chairman) and Alastair McBain. The Executive Directors and Senior Management, attends the committee meetings by invitation. The Audit Committee meets at least three times a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial		

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems. The Environmental, Social and Governance Committee meets at least twice a year to monitor and review how the Company adheres to its social responsibility goals. The Committee is updated on feedback from the roll out of the Company's social responsibility policies and procedures from the full time Sustainability Manager Andrei Zarubbin. Eskil Jersing is its chairman, and other members included Alastair McBain, Company Chairman and David Sturt, the Company's Chief Executive Officer.		
6. Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve,	The Board of PetroNeft has been assembled to allow each director to contribute the necessary mix of experience, skills, and personal qualities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. Full details of the Board Members and their experience and skills can be found by following the link opposite. Together the Board of Directors provide relevant oil and gas skills, the skills associated with running large public	None	Directors Biographies www.PetroNeft.com/about/directors/

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	companies, technical skills, country experience and technical and financial qualifications to assist the Company in achieving its stated aims. The Directors keep their skillsets up to date through as required through the range of roles they perform and consideration of technical and industry updates. The Board has not sought external advice on any significant matter, apart from advice sought in the normal course of business from our auditors, lawyers, and tax compliance advice. No external advisers have been engaged by the Board of Directors, except as noted above. The role of Company Secretary is fulfilled by Michael Power FCA and supports and advises the Board in its function.		
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed.	PetroNeft has yet to carry out a formal assessment of board effectiveness.	PetroNeft has yet to carry out a formal assessment of board effectiveness. The board will keep this under consideration and put in place procedures when it is felt appropriate.	

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	Succession planning is a vital task for boards. No member of the board should become indispensable.			
8. Promote a corporate culture that is based on ethical values and behaviours	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company. The culture should be visible in every aspect of the business, including recruitment, nominations, training, and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company	Refer to corporate governance statement contained within the Directors' Report in the Annual Report for a full description of how the Board promotes a culture based on sound ethical values.	None	Corporate Governance Statement www.PetroNeft.com/investor-relations/rule26/
9. Maintain governance structures and processes that are fit for purpose and support	The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:	Refer to corporate governance statement for a full description of the corporate governance structures.	None	Corporate Governance Statement www.PetroNeft.com/investor-relations/rule26/

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
good decision-making by the board	• size and complexity; and • capacity, appetite, and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy, and business model to reflect the development of the Company.			
		BUILD TRUST		
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	A healthy dialogue should exist between the board and all its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company. Appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the Company. It should be clear where these communication practices are described (annual report or website).	Historical annual reports and other governance-related material, notices of all general meetings can be found on the website.	None	Annual Report www.PetroNeft.com/investor-relations/rule26/

Section 172(1) Statement

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, explains how PetroNeft Resource PLC Directors:

- have engaged with its key stakeholders; and
- have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to PetroNeft Resources PLC, and the level of information disclosed is believed to be consistent with the size and the complexity of the business.

General confirmation of Directors' duties

PetroNeft Resources PLC's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. More information on PetroNeft Resources PLC's Controls and Procedures can be found by clicking on the following link. http://PetroNeft.com/investor-relations/rule26/

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its stakeholders as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which the Company operates, including the challenges of navigating through the energy sector. Based on PetroNeft Resources PLC's purpose to economically develop its hydrocarbon resources, the strategy set by the Board is intended to optimise the development of its resource basewhile keeping enviromental, social and goverance fundamental in our business approach. The board reviews the forward plans to achieve its stratgeic aims and continues to re evaluate on the operational plans , while ensuring the health and wellbeing of its employees and shareholders, suppliers and offtakers during the height of the Covid pandemic.

In this context as part of the PetroNeft Resources PLC Story, the rising standard of living of a growing global population is likely to continue to drive demand for energy, including oil and gas, for years to come. At the same time, technological changes and the need to tackle climate change mean there is a sectorial c under way to a lower-carbon, multi-source energy system with increasing customer choice. These three strategic ambitions: thrive in the energy sector, world-class investment case and strong licence to operate have been set in that context with the objective to increase long-term value for shareholders recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society.

The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder groups. Given the complexity of the energy sector, the Directors have taken the decisions they believe best support PetroNeft Resources PLC's strategic plan.

S172(1) (B) "The interests of the Company's employees"

The Directors recognise that PetroNeft Resources PLC employees are fundamental and core to our business and delivery of our strategic plan. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Directors recognise the onset of the covid pandemic necessiated fundamental changes as to how we schedule and structure our operations , such that the health and well being of our workers and third party contractors is protected. The Directors recognise that our pensioners, though no longer employees, also remain important stakeholders.

S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others"
Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments, national oil companies and joint-venture partners. PetroNeft Resources PLC seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships.The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from our management and and joint-venture partner, related to items such as project updates and supplier contract management topics to information provided by the business units (on customers and joint-venture partner related to, for example, business strategies, projects and investment or divestment proposals).

S172(1) (D) "The impact of the Company's operations on the community and the environment"
This aspect is inherent in our strategic ambitions, most notably on our ambitions to thrive through the energy sector and to sustain a strong societal licence to operate. As such, the Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. those related to specific strategic initiatives such as the investment or divestment proposals, business strategy reviews and country wide considerations) and to provide ongoing overviews at the PetroNeft Resources PLC group level (e.g., regular Safety & Environment Performance Up, reports from the Audit Committee and the Environmental, Social and Governanca Committee).

S172(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct"
The Board periodically reviews and approves clear frameworks, to ensure that its high standards are maintained both within PetroNeft Resources PLC businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that PetroNeft Resources PLC act in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the Company"
After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through taking into consideration the impact on various stakeholder groups. In doing so, our Directors believe they act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders as this can sometimes mean that certain stakeholder interests may not be fully aligned.

Stakeholder Engagement.

The following matters listed on the next page are considered by the Directors to be the key stakeholders who are important to our success, the table also lists the methods of engagment and key issues considered.

Key Stakeholders	Engagement Platform	Issues Considered
Shareholders	RNS Annoucements Website Third Party Advisors AGM/EGM meetings Face to Face Meetings (except during CoVid) Emails & Telephone calls	Strategy Operational and Financial performance Risk Management Ongoing sanctions
Employees and Consultants	Face to Face meetings Video conferencing Emails Direct link to board for issues of concern	Strategy HR policies HSE policies and performance Company News Anti-Bribery and Corruption Work environment and managing Covid.
Local Communites	Face to Face Meetings Email Telephone	Environmental Management Operational plans where required Enviromental, Social and Governance Responsibility aims and objectives
Government and Regulatory Agencies	Face to Face meetings Written Communications Telephone and email	Operational plans Environmental management Legal/Regulatory Matters Taxes/Revenue collection Social Iniatives
Joint Venture Partner	Face to Face Meetings Email/Telephone/Written Communications	Operational plans Strategy Budgets Joint Venture stakeholder engagements Fianncial updates including cash call status Managing shareholder loans and expectations as to recoverability. Impact of sanctions.
Financing Partners	Face to Face meetings Telephone calls, emails, video conferencing	Funding requirements. Funding structures Pricing of funding alternatives.
Contractors and Suppliers	Face to Face meetings Emails/Telephone/Written Communications	Operational plans/requirements Technical, Regulatory, Fianncial and Legal Support Pricing and inflationary impacts. Availability of rigs.

Glossary

1P	Proved reserves according to SPE standards.
2P	Proved and probable reserves according to SPE standards.
3P	Proved, probable and possible reserves according to SPE standards.
C1	Russian reserves approximately equivalent to SPE standard 1P reserves.
C2	Russian reserves approximately equivalent to SPE probable reserves.
C1+C2	Russian reserves approximately equivalent to SPE standard 2P reserves.
AGM	Annual General Meeting.
AIM	Alternative Investment Market of the London Stock Exchange.
Arawak	Arawak Energy Russia B.V.
bbl.	Barrel.
Belgrave Naftogas	Belgrave Naftogas B.V., formerly called Arawak
bfpd	Barrels of fluid per day.
boe	Barrel of oil equivalent.
bopd	Barrels of oil per day.
Company	PetroNeft Resources plc.
CPF	Central Processing Facility.
CSR	Corporate and Social Responsibility.
Custody Transfer Point	Facility/location at which custody of oil transfers to another operator.
Dolomite	LLC Dolomite, a 100% subsidiary of PetroNeft registered in the Russian Federation
DST	Drill stem test.
ESG	Environmental, Social & Governance
ESM	Enterprise Securities Market of the Irish Stock Exchange.
ESP	Electric Submersible Pump
Exploration resources	An undrilled prospect in an area of known hydrocarbons with unequivocal four-way dip closure at the reservoir horizon.
Granite Construction	LLC Granite Construction, a 100% subsidiary of PetroNeft registered in the Russian Federation
Group	The Company and its joint venture and subsidiary undertakings.
HSE	Health, Safety and Environment.
IAS	International Accounting Standard.
IFRIC	IFRS Interpretations Committee.
IFRS	International Financial Reporting Standard.
km	Kilometres.
km^2/ sq. km	Square kilometres.
Licence 61	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the joint venture Company WorldAce Investments Limited. It contains seven known oil fields, Lineynoye, Tungolskoye, West Lineynoye, Arbuzovskoye, Kondrashevskoye, Sibkrayevskoye and North Varyakhskoye and numerous Prospects and Leads that are currently being explored.
Licence 61 Farmout	An agreement whereby Oil India Limited subscribed for shares in WorldAce, the holding Company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities, and following, PetroNeft and Oil India Limited both hold 50% of the voting shares, and through the shareholders agreement, both parties have joint control of WorldAce with PetroNeft as operator

GLOSSARY (continued)

Licence 67	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the subsidiary Company Russian BD Holdings B.V. It contains two oil fields, Ledovoye and Cheremshanskoye and several potential prospects.
Lineynoye	Limited Liability Company Lineynoye, a wholly owned subsidiary of Russian BD Holdings B.V., registered in the Russian Federation.
m	Metres.
mmbbls	Million barrels.
mmbo	Million barrels of oil.
mm tons	Million tons of oil
Natlata	Natlata Partners Limited, a significant shareholder of PetroNeft.
NPV10	Net Present Value discounted at 10%
Oil pay	A formation containing producible hydrocarbons.
P1	Proved reserves according to SPE standards.
P2	Probable reserves according to SPE standards.
P3	Possible reserves according to SPE standards.
Pmean	The average of the values in the probabilistic distribution between defined ‘boundary conditions. Universally regarded as the best single value to quote or communicate for any uncertain distribution of outcomes involved in repeated trial investigations
P10	The value on a probabilistic distribution which is exceeded by 10% of the outcomes
P90	The value on a probabilistic distribution which is exceeded by 90% of the outcomes
PetroNeft	PetroNeft Resources plc.
POD	Plan of Development
QCA	Corporate Governance Code for small and mid-size quoted companies 2018
Russian BD Holdings B.V.	Russian BD Holdings B.V., a Company owned 90% by PetroNeft and registered in the Netherlands.
SPE	Society of Petroleum Engineers.
Spud	To commence drilling a well.
Stimul-T	Limited Liability Company Stimul-T, a wholly owned subsidiary of WorldAce, based in the Russian Federation.
TSR	Total Shareholder Return.
VAT	Value Added Tax.
WAEP	Weighted Average Exercise Price.
WorldAce	WorldAce Investments Limited, a Company owned 50% by PetroNeft, registered in Cyprus.
WorldAce Group	WorldAce Investments Limited and its 100% subsidiary LLC Stimul-T

THE FOLLOWING PAGE IS REQUIRED, BUT SHOULD NOT BE INCLUDED IN THE ANNUAL REPORT

PetroNeft Resources plc

Company Income Statement

For the year ended 31 December 2021

	2021 US$	2020 US$
Revenue	533,576	895,590
Cost of sales	-	-
Gross profit	**533,576**	**895,590**
Administrative expenses	(1,394,966)	(1,769,767)
Operating loss	**(861,390)**	**(874,177)**
Finance Income	3,491,312	3,582,975
Finance costs	(729,438)	(432,362)
Impairment of financial assets at amortised cost.	(1,883,503)	(14,036,806)
Profit /(Loss) on equity investment	3,625,000	-
Profit/ (Loss) on equity settlement of financial liabilities	(1,753,874)	206,044
Profit/ (Loss) on modification of financial liabilities	354,194	218,898
Fair value gains on financial derivatives	20,197	-
Loss for the year for continuing operations before taxation	**2,262,498**	**(11,335,428)**
Taxation	(872,828)	(895,743)
Loss for the year	**1,389,670**	**(12,231,171)**

Company Statement of Comprehensive Income

	2021 US$	2020 US$
Loss for the year attributable to equity holders	**1,389,670**	**(12,231,171)**
Other comprehensive income	-	-
Total comprehensive loss for the year attributable to equity holders	**1,389,670**	**(12,231,171)**