PetroNeft Resources plc

Annual Report and Financial Statements

for the year ended 31 December 2022

PetroNeft Resources plc

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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- resigns 21 October 2022) (Non- Executive Chairman) David Sturt (British citizen- appointed 21 October 2022, previously Chief Executive Officer) *(Executive Chairman)* Pavel Tetyakov (Russian citizen- appointed 21 October 2022, previously Executive Director and Senior Vice President Business Development) (*Chief Executive Officer)* Anthony Sacca (Australian citizen – appointed in April 2016) *(Independent Non-Executive Director)* Daria Shaftelskaya (Russian citizen – appointed in January 2020) (Non-Executive Director) Eskil Jersing (British citizen – appointed in November 2021), (*Independent Non - Executive Director*)
Registered Office and Business Address	20 Holles Street Dublin 2 Ireland
Secretary	Michael Power FCA
Auditor	**Evelyn Partners (subject to appointment confirmation)** Paramount Court Carraig Road Sandford Business Park Dublin 18 D18 R9C7 Ireland
Nomad and Euronext Growth Listing Sponsor	**Davy** 49 Dawson Street Dublin 2 Ireland

PetroNeft Resources plc

Group Information *(continued)*

Broker	**Davy** 49 Dawson Street Dublin 2 Ireland	
Principal Bankers	**Raiffeisen Bank** Novosibirsk branch Tomsk Russia	**AIB Bank** 1 Lower Baggot Street Dublin 2 Ireland
Legal Advisers	**Mark Jenkinson** North Yorkshire BD24 OHZ United Kingdom	
Registered Number	408101	
Registrar	**Computershare** 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland	

PetroNeft Resources plc

Board of Directors

David Sturt – *(Executive Chairman from 21st October 2022, previously Chief Executive Officer) (Age 61)*

David was appointed a Non-Executive Director of the Company in April 2016 and became Chief Executive Officer on 25 March 2019, subsequently resigning as Chief Executive Office to become Executive Chairman on 21 October 2022. 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 – *(Chief Executive Officer from 21st October 2022, previously Senior Vice President Business Development and Executive Director) (Age 43)*

Pavel was appointed to the Board as an Executive Director in January 2020 and resigning that role to become Chief Executive Officer on 21 October 2022. 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. In October 2022, Pavel became the Company’s CEO. 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 51)*

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 44)*

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).

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

Eskil was appointed as 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 the 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.

PetroNeft Resources plc

Highlights

Operational

Licence 67 (90% interest)
- Gross production increased by 7.9% to 96,065 bbls (2021: 89,014 bbls).

Licence 61 (50% interest)
- Gross production 426,158bbls (2021: 603,655 bbls).
- The pipeline connecting oil fields to Transneft oil transportation system was shut down by Nord Imperial LLC (owner of the pipeline) on the 29 August 2022 due to ongoing tariff dispute.

Financial

- Average realized price per barrel of oil
  - L67 US $63.9 (2021: US $52.14)
  - L61 US $71.4 (US $50.98)
- Reduction in trade and other payables year on year to US$1,663,347 (2021 US$ 1,901,937)
- Gross debt 2022 US5,289,349 (2021: US $6,617,287)
- Debt reduction primarily due to debt owing and accruing to Belgrave Naftogas B.V., which on consolidation in FY 2021, and later by way of unanimous shareholder meeting of Russian BD Holding B.V., was converted into equity of Russian BD Holding B.V.
- Cash and cash equivalents US104,489 (2021: US $915,602)
- US $36.8M write down of assets in light of agreed sale of the Russian assets to Pavel Tetyakov, post a strategic review of options by the Company first announced on 25 November 2022. The review was prompted by the Russian / Ukrainian conflict and Nord Imperial LLC refusing to transport L61 crude its pipeline. The reported net assets and liabilities held for sale reflect expected final consideration to be received.

ESG

- Company Maintained its safety record with zero lost time incidents in 2022 (2021: zero)

Outlook

- Due to increasing challenges created by the Ukrainian/Russia conflict, strategic review announced by the Board on 25 November 2022, PetroNeft's Russian assets will be sold to Pavel Tetyakov the current Chief Executive officer. On October 12th, 2023, the proposed disposals have been approved at Extraordinary General Meeting with 88% of votes cast in favor.

- PetroNeft's equities are currently suspended on the Dublin Euronext and London A.I.M. markets, pending publication of the Company's audited financial statement for FY 2022. The last date for publication is 31 December 2023.

Chairman's Statement

Dear Shareholders,

As we exited 2021, we were looking forward to 2022 with a great degree of optimism. Production remained stable at Licence 61 whilst preparations were underway for a multi well development program at the Cheremshanskoye field. This all changed with the tragic events that unfolded in Ukraine at the start of 2022.

A direct result of the Ukrainian-Russian conflict was that through 2022 and into 2023 it became increasingly challenging to operate the Company. As reported on the 25 September 2022, our former auditor (BDO) since 2019 informed us that they would not be able to carry out our 2022 audit due to the Ukrainian-Russian conflict. As the international sanctions against Russia intensified in quantum and application, it became increasingly obvious that professional service companies were no longer able or willing to even consider retaining PetroNeft as their client. Amply illustrated by the inability of PetroNeft to retain Irish legal advisers and the resignation of our auditors (BDO). It is only during the second half of 2023 that Irish registered Audit companies started to engage with PetroNeft although on the clear understanding that any engagement could only occur if the Company was able to demonstrate that it was in the process of concluding its exit from Russia. This engagement is predicated on two key matters, the first being an extensive third-party review of the PetroNeft board, management, and shareholder registrar to ensure that they are fully sanction compliant and secondly, the Audit company required receipt of independent legal advice, that their engagement with PetroNeft does not breach sanctions.

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 perform in line with 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 able to manage through the various impacts of disruptions.

Corporate Development

2022 saw Board changes for the company with the resignation of Alastair McBain as Non-Executive Chairman on 21 October. I assumed the role of Executive Chairman and Pavel Tetyakov became Chief Executive Officer.

Strategy

Our strategy has always bene focused on improving shareholder value by increasing production, cash flow and reserves. The conflict in Ukraine has meant that this strategy is no longer possible. Also, it has become increasingly apparent that if we had continued to try to maintain our assets in Russia, then the Company would eventually be forced into insolvency.

It was against this backdrop that we announced on 25th November 2022, a strategic asset review which has led to the recent EGM on 12th October 2023 where 88% of the shareholders voted in favour of the Company disposing of its entire Russian portfolio with the key assets being 90% of Licence 67 and 50% of Licence 61, to Pavel Tetyakov, the current Chief Executive Officer of PetroNeft. Whilst this is a very sad time for everyone connected to PetroNeft, it is recognised that this was the only way that the Company had a chance to survive and one day potentially prosper.

As we exit Russia the company will become a cash shell and as such, we will be required to make an acquisition(s) which will constitute a reverse takeover on or before the date falling six months and twelve months (AIM and Euronext Growth markets respectively) from Completion. If we fail, then the Company's ordinary shares will be cancelled six months from the date of suspension should the reason for suspension not be rectified during this period.

The strategy of the Company is therefore to try and identify an asset(s) which represents an attractive growth opportunity for the Company

Summary

The Company has been and continues to be going through incredibly challenging times which threaten its very existence. Whilst we are still not certain about the Company's future, the continued support from shareholders and staff maximises the potential for the Company to survive and prosper.

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

David Sturt
Executive Chairman

Chief Executive Officer's Report

Dear fellow shareholders, the Company's operational performance was greatly affected by a combination of the Nord Imperial pipeline being shut down from the 29 August 2022, and the inability to be able to progress the development drilling campaign at the Cheremshanskoye field in Licence 67, as previously reported in PetroNeft's 2021 Annual Report.

Due to the rollout of international sanctions against Russia in the wake of the Ukrainian-Russan conflict directly impacted the ability of PetroNeft to be able to source funding for the development drilling program. The funding, which was at the time pre-conflict, was to be sourced directly from a Russian bank, which is now sanctioned, and significant shareholders and financers of PetroNeft are no longer able to support such operations in light of the current sanction regime.

From an operational perspective, the shutdown of the Nord Imperial pipeline lost the company just over three months of production at Licence 61.

Operational Performance

Gross Overall Production (Licence 67 and Licence 61)	**2022**	**2021**
Total Production bbls	522,223	692,669
Net to PetroNeft Resources plc	**299,537**	**381,575**

Licence 67	**2022**	**2021**
Total Gross Production	96,065	89,014
Gross bopd	263	243
Net to PetroNeft Resources plc-90% share	**86,458**	**79,748**

Licence 61	**2022**	**2021**
Total Gross Production	426,158	603,655
Gross bopd	1,167.5	1,653
Net to PetroNeft Resources plc -50% share	**213,079**	**301,827**

Financial Performance of the Licences (100% basis):

Licence 67	**Units**	**2022**	**2021**
Revenue	USD '000	6,141	4,640
Cost of Sales	USD '000	(5,302)	(3,482)
Gross Profit /(Loss)	USD '000	838	1,158
Administrative Expenses	USD '000	(352)	(513)
Operating Profit/(Loss)	**USD '000**	**487**	**645**
Average realised price	$/bbl	63.9	52.14

Licence 61	**Units**	**2022**	**2021**
Revenue	USD '000	30,446	29,912
Cost of Sales	USD '000	(30,972)	(28,650)
Gross Profit /(Loss)	USD '000	(526)	1,263
Administrative Expenses	USD '000	(5,796)	(4,144)
Operating Profit/(Loss)	**USD '000**	**(6,322)**	**(2,882)**
Average realised price	$/bbl	71.4	50.98

2022 Review

Management has worked hard to continually focus on cost reduction and optimisation across all levels of the Group. Any initial perceived operational improvements achieved domestically in Russia, as in increased average realised price per barrel, translated into increased remittances from Russia for reimbursement of CMSA costs. This supported cashflow at corporate level and allowed Management to navigate a difficult external geopolitical environment, as Management got to grips with the complexity and implications of the international sanctions on PetroNeft's business strategy. Management also worked closely with personnel, and improved contractual arrangements with contractors and suppliers.

Gross production in 2022 was 522,223 barrels of oil or an average of 1,430.7 bopd average. No new production wells were drilled during the year, this represents a decrease of 24.7% from 2021 production levels of 692,669 barrels (1,897.7 bopd average). The decrease was due to the shutdown of the Nord Imperial pipeline from the 29 August which resulted in a 29.4% decrease in production from Licence 61. The production from Licence 67 actually increased by 7.92% as the 2021 production only started towards the end of the first quarter 2021.

Gross production 2022 by fields

Licence	Field	2022 Gross production	2021 Gross production	% Change
67	Cheremshanskoye	96,065	89,014	7.92%
	Sub Total =	**96,065**	**89,014**	**7.92%**
61	Lineynoye	151,576	232,732	-34.9%
	West Lineynoye	40,167	59,071	-32%
	Arbuzovskoye	126,226	204,263	-38.2%
	Sibkrayevskoye	107,754	107,589	-0.15%
	Tungolskoye	435	0	+100.0%
	Sub Total =	**426,158**	**603,655**	**-29.4%**
	Total =	**522,223**	**692,669**	**-24.7%**

Licence 67

The Company holds a 90% interest as operator 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 former 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.

In 2022 production continued from the C-4 well at the Cheremshanskoye field at an average rate of 263 BOPD vs 243 BOPD in 2021 representing 7.92% year over year increase due to production from the field only commencing in 2021 at the end of the first quarter.

Towards the end of 2021 and during January 2022, the company continued to plan for a five well development plan on the Cheremshanskoye field to increase production and introduce pressure support for the C-4 area of the field. The contract for the drilling was awarded to SSK drilling in January 2022 whilst discussions progressed with a domestic bank to provide a significant part of the capital costs for the program. Regrettably the start of this program had initially to be delayed and then cancelled as financing was no longer possible due to the effects of the ongoing conflict in Ukraine.

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.

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.

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.

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 and installing such facilities is considered to be uneconomic.

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 previously producing fields: Lineynoye, West Lineynoye, Arbuzovskoye and Sibkrayevskoye (which historically produced only during the winter months but was bought into year-round production from 2021). A fifth field – Tungolskoye, was shut in during 2020 for economic reasons, in 2022 a work over of the Tungolskoye-5 well was carried out but only produced in total 435 BO, as this is an uneconomic rate the decision was made to shut down the field again. In addition to these fields the licence also contains several attractive low risk potentially material exploration prospects.

The oil from Licence 61 is exported via a third-party pipeline to the Transneft entry point at Zavyalov. Due to an on-going tariff dispute on the 29 August 2022, the operator of this third part pipeline (Nord Imperial) shut the pipeline down. During September 2022, all the fields were shut in as the infield storage capacity became full. To protect the company's position several unsuccessful court cases were launched against Nord Imperial, including a submission to the Russian Anti-Monopoly Committee.

With the fields shut in, the Licence 61 operator Stimul-T LLC was forced under Russian legal regulations to file for voluntary bankruptcy as announced on 10 May 2023. The bankruptcy administration process, which is multifaceted, time consuming, is still ongoing at the time of issuance of the PetroNeft's 2022 Annual Report.

Production from Licence 61 was 29.4% lower in 2022 vs 2021 due to the fields being shut in from end of August. All production numbers therefore do not contain any production from the fourth quarter 2022.

Lineynoye field

The wells at Lineynoye performed consistently until the field had to be shut in due to the Nord Imperial tariff dispute.

Following the success of the 2021 well stimulation program at well L-115, due to this success, the well stimulation program in 2022 was expanded to five wells. The program was carried out on schedule and within budget resulting in production improvement of +/- 200 BOPD/

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 *2022 was 110 bopd (*2021: 161 bopd), this represented an 32% decline mainly due to the shutdown of the Nord Imperial pipeline from 29th August.

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 average daily production for 2022 was 295.2 bopd (2021: 294 bopd), an increase of 0.15%. This increase was achieved, even though the field was shut down at the end of the third quarter due to the Nord Imperial pipeline dispute.

Arbuzovskoye field

Production in 2022 continued to naturally decline with average gross daily production of 347.2 bopd (2021: 559.6 bopd). This decline was due to two reasons, firstly the continued decline at the A-214 well and secondly from losing fourth quarter production due to the Nord Imperial pipeline being shut down from 29 August. The actual daily production whilst the pipeline was in operation for the first three months was 462.2 bopd which is a 17.2% decline between 2021 and 2022.

Tungolskoye

The field was suspended in 2021 due to uneconomic production rate. After review of all technical information well T-501Hz was re perforated over a 50m interval to investigate whether near well bore reservoir damage may have been affecting production rates. The post workover production rates were between 20-30 BOPD with a total of 435 BO being produced. These rates for this remote field are uneconomic so the field was shut in again.

The geology of this field is particularly complex with the reservoir not being of the same quality as in our adjacent previously producing fields (Lineynoye, West Lineynoye, Sibkrayevskoye & Arbuzovskoye).

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 tables shows the current Miller and Lents report.

All metrics in mmbbls	Miller & Lents 2021		
Licence	Proved	Proved & Probable	Proved, Probable & Possible
67	4.3	24.5	71.7
61	12.2	24.2	35.5
Total(s) 100% basis net to PTR	**16.5**	**48.6**	**107.2**

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

Miller and Lents also estimated additional net Contingent resource (3C) of 23.75 Mmbbls (22.06 Mmbbls in Licence 67 and 1.69 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**

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's operations have been badly affected by the combination of the shutdown of the Nord Imperial pipeline at Licence 61 and the inability to start the development drilling program at Licence 67 due to the effects of the Ukrainian-Russian conflict. In addition, service providers are not willing or able to work with the Company. These events have created significant pressure and uncertainty about the Company's ability to survive unless it disposes of its Russian assets.

Whilst the pending sale of the Company's Russian assets is a sad event, it will provide the potential opportunity for PetroNeft to try and identify and secure other assets.

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 the challenges of 2022 and into 2023. Their hard work and commitment combined with the continued support from our shareholders has enabled the Company to survive thus far.

Pavel Tetyakov
Chief Executive

PetroNeft Resources plc

Financial Review

Review of PetroNeft consolidated income statement for the year

PetroNeft Consolidated Income Statement	**2022**	**2021**
Continuing operations	**US$**	**US$**
Revenue	7,727,599	5,815,255
Cost of sales	(6,696,718)	(4,408,707)
Gross profit	**1,030,881**	**1,406,548**
Administrative expenses	(2,698,705)	(1,431,446)
Impairment of exploration and evaluation assets	-	(2,900,732)
Impairment of financial assets	(19,382,427)	-
Impairment of assets held for sale	(17.446,534)	-
Operating loss	**(38,496,785)**	**(2,925,830)**
Share of joint venture's net loss -WorldAce Investment Limited	(7,670,443)	(4,964,655)
Share of joint venture's net loss – Russian BD Holdings B.V.	-	(126,031)
Finance Income	3,599,756	2,855,639
Finance costs	(735,252)	(803,558)
Fair value gain on financial derivatives	-	20,197
Unrealised gain on business combination	-	3,432,730
Profit/(Loss) on equity settlement of financial liabilities	-	(1,753,874)
Profit/(Loss) on modification of financial liabilities	-	354,194
Loss for the year for continuing operations before taxation	**(43,302,724)**	**(3,910,988)**
Income tax expense	(923,160)	(960,076)
Loss for the year attributable to equity holders	**(43,852,772)**	**(4,871,064)**
Loss for the period attributable to:		
Owners of the Parent	(44,262,760)	(4,867,482)
Non-Controlling Interest	36,876	**(3,582)**
	(44,225,884)	**(4,871,064)**

Financial Review (continued)

Revenue

Substantial increase in 2022 consolidated revenue to US$7,727,599 from US5,815,255 in 2021. The increase is attributable to a number of factors, primarily accounted for by the full year consolidation of crude oil sales during 2022, versus a 10- month period of consolidation in 2021. In addition, the 2022 daily output at Russian BD Holdings B.V, increased to 263 bopd, versus 243 bopd for 2021 plus the 2022 average realised price per bop increased to US$63.9 versus US$52.14 for 2021. For further information on the breakout of the Revenue amount, refer to note 5 in the Annual Report.

Margins

The gross profit for the year was US$1,030,881 (2021: US$1,406,548)

Operating losses totalled US$38,496,785 (2021: US$2,925,830). The increase primarily resulting from increased impairment charges attributable to the expected losses accruing to the disposal of PetroNeft's Russian subsidiary assets, in the sum of US17,446,534. In addition, on the disposal of PetroNeft joint venture interest in the Cypriot registered WorldAce Investment Limited the Joint venture loans recoverable, which to that point would have been recovered out of sale of Licence 61 or a farm in, are deemed to be fully impaired. The impairment charge on joint venture loans is US$19,382,427.

The loss after taxation for the year was US$44,225,884 (2021: US$4,871,064).

The loss included the Company's share of the joint venture's net loss in WorldAce Investments of US$7,670,443 (2021: US$4,964,655). The adverse movement in the Company's share of joint venture net loss arose, despite revenues improving to US$30,445,771 (FY 2022) from US$29,992,441(FY 2021).

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 and 67 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 2022 PetroNeft Group charged a total of US$859,666 (2021: US$533,576) 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 2022 Granite Construction charged the WorldAce Group US$1,252,784 (2021: US$769,411) in respect of these services.

Administrative expenditure showed an increase year on year of 88.5%, which was primarily attributable, to the loss allowance created against PetroNeft receivables from the WorldAce Group of companies, in the sum of US$1,125,138 .Excluding this sum the year-on-year comparative showed an increase in administrative expense of 9.9 % as the Company incurred additional overhead on senior management termination fees, accrued but not paid, and other overhead increases, such as increased auditing expenses. The Company continues to monitor its costs on an ongoing basis. As per Note 35, the Directors and management agreed to reduce and defer significant portions of their remuneration; as at 31 December 2022 a total of US$1,097,010 (2021: US$225,666) had been deferred by the Directors and senior management.

Most of the Finance income relates to interest receivable on loans to the joint ventures. During 2022 PetroNeft recognised interest income of US$3,589,220 (2021: US$2,780,253) on its loans to WorldAce Group and US$Nil (2021: US$65,896) 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, and in February 2021. In addition, on first time consolidation of Russian BD Holdings B.V. a loan became payable to Belgrave Naftogas B.V. 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.

Financial Review (continued)

Given PetroNeft has elected to dispose of its Russian assets, post a strategic review, first announced on 25 November 2022, Management has worked with the loan note holders to agree revised amounts and terms which are payable on full and final settlement of all loan monies outstanding, post receipt of the monies from the Sale of the Russian assets. For more information on the revised terms and conditions, please see Note 30.

Unrealised gain on business combination
During 2022, there was no new reporting of any business combination. For 2021 the unrealised gain of US$3,432,730 arises 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$Nil (2021: US$354,194), 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
During 2022 no new equities were issued and the profit/ (loss) on equity settlement of financial liabilities was US$Nil, as no liabilities were discharged through the issue of equities in PetroNeft. For 2021, the sum of US$1,753,874, relates to an implied loss, 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 2022.

Oil and Gas Properties, Property Plant and Equipment, Exploration and Evaluation Assets, Assets under Construction, and Intangible Assets
Amounts recorded here, arose from the consolidation of the assets held by Russian BD Holdings B.V., which at year end, given the Board were actively looking at strategic options with a view to a sale, as announced on 25 November 2022, have been transferred to Current assets, under the heading Assets associated with assets held for sale.

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$Nil (2021: US$20,734,834). It was understood that the loan balance would ultimately be repaid out of farm in or sale of the underlying asset, Stimul T LLC, the Russian registered legal entity, which owns the operating Licence 61. WorldAce Investment Limited is a Cypriot registered legal entity, and parent company to Stimul T LLC. On 12 October 2023, the PetroNeft shareholders at an Extraordinary General Meeting, agreed by 88% to 12%, to accept for US$1.00 (One dollar) the sale of PetroNeft's 50% equity interest in WorldAce Investment Limited to Pavel Tetyakov, PetroNeft's current Chief Executive Officer, plus 10% of any shareholder debts, including shareholder loans and CSMA costs if repaid within 1 year of signing the Sales Purchase Agreement. On 10 May 2023, Stimul T LLC filed for bankruptcy administration. Accordingly full provision at 100% in the sum of US$19,382,427 was recorded against the book value of the loan payable to PetroNeft by WorldAce Investment Limited.

Trade and Other Receivables
There was a significant reduction in Trade and Other Receivables of US$1,031,571. As at 31 December 2022, US$94,483 (2021: US$1,126,054). The primary reason for the reduction in receivables was the loss allowance provision of US$1,125,138 booked when the PetroNeft shareholders agreed to the sale of PetroNeft's interest in WorldAce Investment Limited.

Called Up Share Capital and Share Premium Account
During 2022, there was no new shares issued during the fiscal year, unlike 2021, where 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.

PetroNeft Resources plc

Financial Review (continued)

- 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 30-Loans and Borrowings, subsection “Changes in financial liabilities arising from financing activities

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 2022 to 15 March 2023.
- Per note 30, points 1-5, Management has secured from the loan note holders, significant concessions on loan balances and the associated terms and conditions, provided amounts agreed are paid out within 7 business days of receipt by PetroNeft of the sale proceeds for its interest in Licence 67. The concessions include cancellation of all, and any charges held by Petrogrand AB, the cancellation of all interest accrued across all loan types, and full and final payment of 30% of the principal amount on the Petrogrand AB Loan and 10% on all other loan types. Final payments will be subject to Russian withholding tax and any adverse exchange rate movements.

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 2022 US$	WorldAce Group 2021 US$
Continuing operations		
Revenue	30,445,771	29,912,441
Cost of sales	(30,972,007)	(28,649,622)
Gross profit	**(526,236)**	**1,262,819**
Administrative expenses	(5,795,756)	(4,144,337)
Operating profit/(loss)	**(6,321,992)**	**(2,881,518)**
Finance income	73,583	90,803
Finance costs	(9,092,480)	(7,138,593)
Loss for the year for continuing operations before taxation	**(15,340,888)**	**(9,929,308)**
Income tax expense	-	-
Loss for the year	**(15,340,888)**	**(9,929,308)**
Loss for the year	(15,340,888)	(9,929,308)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Currency translation adjustments	5,457,627	(605,059)
Total comprehensive loss for the year	**(9,883,261)**	**(10,534,367)**
PetroNeft’s share of the Loss for the year	(7,670,443)	(4,964,655)
PetroNeft’s share of the currency translation adjustments	2,728,814	(302,530)
PetroNeft's Share 50%	**(4,941,631)**	**(5,267,184)**

Financial Review *(continued)*

Net Loss – WorldAce Group
PetroNeft's share of the WorldAce Group net loss for the full year increased to US$7,670,443 (2021: US$4,964,655) during 2022. The following factors contributed to the increase in the share of WorldAce Group net loss:

- Due to the dispute with Nord Imperial LLC, transhipment of crude oil ceased, at the end of August 2022.
- Licence 61 was shut in and did not generate any revenues from crude production in the last quarter of 2022.
- The significant weakening of the gross margin rate was due to the increased transhipment costs, increasing by US$1,524,154 in the financial year under review.
- Administrative expenses were significantly higher than prior years. The current reporting period saw expense increases across all main expense headings.
- Financing costs are higher, due to LIBOR rate increases in 2022 versus 2021.
- No tax charge has been accrued in the year.

Of the US$9,092,480 in interest payable by WorldAce, US$3,589,220 is payable to PetroNeft. (2021 US$7,138,593/US$2,780,253)

Revenue, Cost of Sales, and Gross Margin – WorldAce Group
Gross Revenue from oil sales was US$30,445,771 for the year (2021: US$29,912,441).

Cost of sales includes depreciation of US$1,572,706 (2021: US$1,125,173).

The gross margin significantly worsened during the year to a reported loss of US$526,236 (2021: US$1,262,819 profit) due to a significant increase in transhipment costs. WorldAce Group produced 426,158 barrels of oil (2021: 603,655 barrels). During 2022, 426,158 barrels of oil were sold (2021: 588,133 barrels) achieving an average oil price of US$71.40 per barrel (2021: US$50.86 per barrel).

In 2022, Licence 61 sold most of its oil on the Russian's domestic market.

Finance Costs – WorldAce Group
Gross Finance costs of US$9,092,480 (2021: US$7,138,593) mainly relates to interest on loans from PetroNeft and Oil India.

Taxation – WorldAce Group
The tax charge accrued in the year is US$ Nil (2021: US$Nil).

Current and Future Funding of PetroNeft Group
While there are consolidated net current liabilities at the year-end of US$3,822,282 (2021: US$2,600,480), the Statement of Financial position reflects the valuation ascribed to the assets and liabilities, post a Strategic review of its Russian business operations, first announced on 25 November 2022 and firmed up on 12 October 2023, when the shareholders at an extraordinary general meeting of PetroNeft agreed by 88% to 12%, to dispose of its Russian assets to Pavel Tetyakov.

The Company continually tries to minimise its costs, especially in the present situation. The Directors and Management have agreed to reduce and defer significant portions of their remuneration and will continue to manage other trade creditors and accruals on a proactive basis.

The Company has met with all loan note holders and as indicated in Note 30 – Loans and Borrowings, secured favourable terms for full and final settlement, plus the cancellation of onerous charges.

Going Concern
Cash on hand.
As at 31st December 2022, PetroNeft Group had cash and cash equivalents of US$104,489 (2021: US$915,602). A comprehensive review of all cash inflows and outflows is contained in the Consolidated Statement of Cash Flows on page 34 of the Annual Accounts.

Financial Review *(continued)*

Improving liquidity in the near term.
PetroNeft near term financial health is highly dependent on completion of the sale of PetroNeft's assets to Pavel Tetyakov and the successful remittance of those proceeds to the PetroNeft's bank account in Dublin. Unknowns include the percentage withholding tax to be deducted in Russia, and the final dollar/ rouble exchange rate on remittance. PetroNeft has where possible mitigated those risks, by shifting the risk burden on to the note loan holders.

Monies once received will be used to pay down the note loan holders, at the revised terms, pay down fees on full settlement basis reduced amounts owing to the Directors and Management, and the balance remaining to proactively manage trade creditors and payout concurrent operating costs to support the business going forward as it attempts to secure alternative business opportunities or wind down in a fully compliant manner.

Controlling expenditure.
PetroNeft will manage expenditures in line with the Company's commentary as reported under the heading "Improving liquidity in the near term", as reported above.

Proactive liquidity management and cost control.
Include the following:

- Secured from all loan note holders, substantial wavering of onerous charges, plus significant write down of Principal and Interest amounts on full and final settlement, as reported on in Note 30 – Loans and Borrowings. Write downs will be confirmed on payout of agreed final amounts.
- Renumeration amounts owing to key Management increased in the reporting period from US$225,666 in FY 2021 to US$1,097,010 in FY 2022, as per Note 35 related party transactions.
- Expected outgoings post receipt of sale proceeds from the disposal of PetroNeft's Russian assets is captured in Note 31 Financial Risk Management Objectives and Policies, subsection Liquidity Risk Management. The subsection includes amounts for full and final settlement. Total disbursements are projected in the region of US$1,751,802. The amounts reported are considerably less than those amounts reported outstanding as of 31 December 2022 for total interest-bearing loans and borrowings and trade and other payables which amount to US$6,952,696 in total.

The Company announced on the 25 November 2022, a strategic review of its operations, culminating with the EGM on then 12 October 2023 which voted in favour of the disposal of its Russian assets to Pavel Tetyakov, subject to the normal regulatory approval and closing procedures. The sale proceeds are to be remitted to PetroNeft's Irish bank account.

Subject to the Russian Withholding tax rate, plus the prevailing rouble/ dollar exchange rate, the net proceeds will be used to pay down a) loan note holders b) salaries and fees to senior management, c) trade creditors and accruals, d) meet ongoing operational costs as the Company reviews its strategic alternatives e) seek further funding for new business opportunities.

The Parent Company incurred a loss of US$40.86 million after providing 100% against the WorldAce Joint Venture loan, plus marking down the value of the Russian B.D. Holding B.V. to the expected recoverable amount. The Parent's Company total liabilities exceed its total assets by US$11.98 million

These 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 will where possible strive to ensure that the company continues against the background of the noted significant uncertainties described above.

Focussed asset management and capital allocation:
PetroNeft continually updates its operational plan more so in light of its decision to exit the Russian marketplace.

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

Financial Review *(continued)*

business risks and measures to address those critical to our operating environment in Russia. Accordingly, given the current sanction regime in place, and the inability to fund the development of its Russian assets, PetroNeft has taken the opportunity to exit the Russian marketplace. 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 HSE 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. Clearly with the sale of the Company's Russian assets, most of the risk factors will no longer be relevant.

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 61 has entered voluntary bankruptcy administration; Pavel Tetyakov to acquire PetroNeft's interests in WorldAce Investment Limited. Licence 67 will be sold to Pavel Tetyakov. Granite Construction LLC, the construction service provider will be sold to Pavel Tetyakov. Dolomite OOO, which has been dormant, will file for bankruptcy administration. At the end of the disposal process, PetroNeft will have no Russian assets.
		25-year licence term can be automatically extended based on approved production plan.
Technical Risks	Exploration risk	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
		Proven oil and gas basin with multiple plays.
		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.
		A market where the oil price is increasing, rigs sourcing and inflation 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.

Financial Review *(continued)*

Risk Type	Risk Issue	Mitigation
		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.
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.

Financial Review *(continued)*

Risk Type	Risk Issue	Mitigation
	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 suspended from Licence 61. This remains unresolved it remains a material concern.

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 30 October 2023, as per the share register is as follows:

Name of Shareholder	Percentage	Shares
Natlata Partners Limited*	25.7%	275,503,451
Mr. Lloyd Wiggins	14.46%	154,974,339
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%.

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PetroNeft Resources plc

Directors' Report

for the year ended 31 December 2022

The Directors present herewith their Annual Report and the un-audited financial statements of PetroNeft ("PetroNeft", "the Company", or together with its subsidiaries and joint venture, "the Group") for the year ended 31 December 2022.

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$43,302,724 (2021: US$3,910,988). After a tax charge of US$923,160 (2021: US$ 960,076) the loss for the year amounted to US44,225,884 (2021: US$4,871,064). 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 6 to 7, the Chief Executive Officer's Report on pages 8 to 13 and the Financial Review on pages 14 to 22. The key financial metrics used by management are set out in the Financial Review on page 14.

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 by 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 105-115 of this Annual Report. 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 32 to the financial statements.

Audit Committee

The members of the Audit Committee are non-executive directors, Anthony Sacca (Chairman), and Eskil Jersing. 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. No external auditors were appointed during the year and accordingly the external auditors did not undertake any non-audit work during the current year.

The committee, with management, reviews the effectiveness of internal controls.

Remuneration Committee

The members of the Remuneration Committee are David Sturt (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 David Sturt (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 David Sturt and Pavel Tetyakov.
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's appointee is Michael Power, 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 normally 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, David Sturt and Anthony Sacca 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 2022 (continued)

Directors, Company Secretary, and their Interests
The Directors and Company Secretaries who held office during 2022 and in the period up to 30 October 2023 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 30 October 2023	Ordinary Shares As at 31 December 2022	Ordinary Shares As at 1 January 2022
Alastair McBain* (resigned 21 October 2022)	-	-	154,974,339
Daria Shaftelskaya**	98,164,020	98,164,020	98,164,020
David Sturt	26,094,132	26,094,132	26,094,132
Pavel Tetyakov	15,637,515	15,637,515	15,637,515
Eskil Jersing (appointed 1 November 2021)	768,807	768,807	-
Anthony Sacca	-	-	-
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 20-22

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 18 in the paragraphs related to the "Current and future funding of PetroNeft" and - "Going Concern", page 19 for "Improving liquidity in the near term" and "Proactive liquidity management and cost control" and in Note 2 to the financial statements on pages 45-46.

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.

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 2022 financial year.

Directors' Report

for the year ended 31 December 2022 (continued)

Directors' Remuneration (US$)

	2022			2021		
Director	**Basic**	**Pension**	**Total**	**Basic**	**Pension**	**Total**
Executive directors						
David Sturt*	527,946	36,940	564,886	413,832	16,250	430,082
Pavel Tetyakov	243,437	17,943	261,380	200,000	15,000	215,000
	771,383	54,883	826,266	613,832	31,250	645,082
Non-executive directors						
Alastair McBain	22,416	-	22,416	17,990	-	17,990
Daria Shaftelskaya	21,029	-	21,029	14,672	-	14,672
Anthony Sacca	21,029	-	21,029	14,672	-	14,672
Eskil Jersing	21,029	-	21,029	3,968	-	3,968
David Golder	-	-	-	2,222	-	2,222
Thomas Hickey	-	-	-	-	-	-
Maxim Korobov	-	-	-	-	-	-
	85,503	**-**	**85,503**	**53,524**	**-**	**53,524**
Total Directors remuneration	**856,886**	**54,883**	**911,769**	**667,356**	**31,250**	**698,606**

*Includes termination fees on retiring as PetroNeft's Chief Executive officer of US$188,628 (2021:US$Nil) accrued but not paid and Medical Insurance premiums of US$13,171 (2021: US$13,832)

As detailed in Note 35, included in the above are unpaid fees and remuneration due to Directors as at 31 December 2022 of US$817,943 (2021: US$172,926).

Political Donations

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

Important Events after the Balance Sheet Date

The onset of the Russian / Ukrainian conflict, which has led the global community to the imposition of substantial and penal sanctions on the Russian government and its officials. The sanctions led to prohibitions on doing business in any meaningful commercial way in Russia.

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 from within Russia. Given the evolving nature and severity of the sanctions, both directors and senior management are unable to secure sanction compliant funding for rollout and development of PetroNeft's Russian Assets. On 25 November 2022, PetroNeft announced the Company would undertake a strategic review of all options available to it. On 12 October 2023, at an Extraordinary General Meeting of PetroNeft, 88% of the voted shareholders passed a special resolution authorising the Board to dispose of the Company's key assets to Pavel Tetyakov. Previously on 14 June 2023, PetroNeft announced it had agreed, subject to shareholder approval, sale terms for the disposal of its 100% interest in Lineynoye to Pavel Tetyakov, and again on 1 August 2023, it had agreed sale terms for the disposal of Granite Construction OOO and PetroNeft's equity interest in the Cypriot registered entity WorldAce Investment Limited to Pavel Tetyakov.

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 tariff 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, saw revenues at Stimul - T LLC reduced to zero. On 10 May 2023, Stimul T LLC files for voluntary bankruptcy administration in Russia.

On the 30 June 2023 and again on 5 September 2023, PetroNeft announced it had concluded indicative full and final debt settlement agreements with its debt holders. In all cases, there was achieved a 100% concession on interest payable, and loan principals would be reimbursed 10% of the book value if unsecured, and 30% if secured. Final disbursements would be subject to any withholding tax in Russia, plus any adverse movements in the rouble/ dollar exchange rate.

On the 30 June 2023, the Company announced suspension of trading of its equities on both the A.I.M. and Euronext markets pending publication of its audited annual report for FY 2022. Dealings in the Company's ordinary shares was therefore suspended from 7.30 a.m. on Monday 3 July 2023 until such time as the Audited Accounts have been duly published. Should the Audited Accounts not be published by 31 December 2023, the Company's admission to AIM and Euronext Growth will be cancelled.

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.

Directors' Report
for the year ended 31 December 2022 (continued)

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.

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 and subject to and ratification of the auditor's appointment:

- ALL relevant audit information is to be made available to the auditors if appointed.; 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 this information is disclosed to the Company's auditors if appointed.

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

Auditors

At the time of drafting these financial statements no Auditors had being appointed by the Company in accordance with the provisions of the Companies Act 2014, due to the fact that no funding was available to meet the Auditors fees, and it was a Board decision taking in 2023 that monies once received would be better allocated to meet the Group's payables.

Approved by the Board on 22 November 2023

David Sturt
Director

Pavel Tetyakov
Director

Consolidated Income Statement
For the year ended 31 December 2022

	Note	2022 US$	2021 US$
Continuing operations			
Revenue	*5*	7,727,599	5,815,255
Cost of sales		(6,696,718)	(4,408,707)
Gross profit		**1,030,881**	**1,406,548**
Administrative expenses		(2,698,705)	(1,431,646)
Impairment of exploration and evaluation assets	*18*	-	(2,900,732)
Impairment of financial assets	*22*	(19,382,427)	-
Impairment of assets held for sale	*26*	(17,446,534)	-
Operating loss	*7*	**(38,496,785)**	**(2,925,830)**
Share of joint venture's net loss - WorldAce Investments Limited	*13*	(7,670,443)	(4,964,655)
Share of joint venture's net loss -Russian BD Holdings B.V.	*14*	-	(126,031)
Finance Income	*8*	3,599,756	2,855,639
Finance costs	*9*	(735,252)	(803,358)
Fair value gains on financial derivatives		-	20,197
Unrealised gain on business combination	*10*	-	3,432,730
Profit/ (Loss) on equity settlement of financial liabilities		-	(1,753,874)
Profit/ (Loss) on modification of financial liabilities		-	354,194
Loss for the year for continuing operations before taxation		**(43,302,724)**	**(3,910,988)**
Income tax expense	*11*	(923,160)	(960,076)
Loss for the year attributable to equity holders		**(44,225,884)**	**(4,871,064)**
Profit /(loss) for the period attributable to:			
Owners of the Parent		(44,262,760)	(4,867,482)
Non-Controlling Interest	*28*	**36,876**	(3,582)
		(44,225,884)	**(4,871,064)**
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - *US dollar cent*	*12*	**(4.13)**	**(0.49)**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

		2022	2021
		US$	US$
Loss for the year attributable to equity holders		**(44,225,884)**	**(4,871,064)**
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		821,037	(12,786)
Currency translation adjustments reclassified to profit and loss	*10*	-	4,026,539
Share of joint ventures' other comprehensive income - foreign exchange translation differences		2,728,813	(328,849)
		3,549,850	**3,684,904**
Other comprehensive income for the year net of tax		**3,549,850**	**3,684,904**
Total comprehensive loss for the year attributable to equity holders		**(40,676,034)**	**(1,186,160)**
Total Comprehensive Income attributable to:			
Owners of the Parent		(40,770,987)	(1,177,570)
Non-Controlling Interest		**94,953**	(8,590)
		(40,676,034)	**(1,186,160)**

Approved by the Board on 22 November 2023

David Sturt
Director

Pavel Tetyakov
Director

PetroNeft Resources plc

Consolidated Statement of Financial Position.

As at 31 December 2022

		2022	2021
Assets	***Note***	**US$**	**US$**
Non-current Assets			
Oil and Gas Properties	*16*	-	5,006,667
Property, plant, and equipment	*17*	-	118,618
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
		-	**39,766,931**
Current Assets			
Inventories	*23*	-	86,842
Trade and other receivables	*24*	94,483	1,126,054
Cash and cash equivalents	*25*	104,489	915,602
		198,972	**2,128,498**
Assets associated with assets held for sale	*26*	3,806,205	-
		4,005,177	**2,128,498**
Total Assets		**4,005,177**	**41,895,429**
Equity and Liabilities			
Capital and Reserves			
Called up share capital	*27*	13,661,466	13,661,466
Share premium account		147,679,056	147,679,056
Share-based payments reserve		6,796,540	6,796,540
Retained loss		(150,717,810)	(106,455,050)
Currency translation reserve		(32,369,402)	(35,861,175)
Other reserves		511,981	511,981
Equity attributable to equity holders of the Parent		(14,438,169)	**26,332,818**
Non- Controlling Interest	*28*	2,630,988	716,410
Total Equity		**(11,807,181)**	**27,049,228**
Non-current Liabilities			
Provisions	*29*	-	254,629
Interest-bearing loans and borrowings	*30*	1,004,787	3,477,078
Derivative financial liabilities	*30*	-	313,168
Deferred tax liability	*11*	6,980,112	6,072,348
		7,984,899	**10,117,223**
Current Liabilities			
Interest-bearing loans and borrowings	*30*	3,971,394	2,827,041
Derivative financial liabilities	*30*	313,168	-
Trade and other payables	*31*	1,663,347	1,901,937
		5,947,909	**4,728,978**
Liabilities associated with assets held for sale	*26*	1,879,550	-
		7,827,459	**4,728,978**
Total Liabilities		**15,812,358**	**14,846,201**
Total Equity and Liabilities		**4,005,177**	**41,895,429**

PetroNeft Resources plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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 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	-	-	-	-	-	-	725,000	725,000
Convertible Share Option reserve	-	-	132,058		-	132,058	-	132,058
New Share Capital subscribed	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**
At 1 January 2022	**13,661,466**	**147,679,056**	**7,308,521**	**(35,861,175)**	**(106,455,050)**	**26,332,818**	**-**	**27,049,228**
Loss for the year	-	-	-	-	(44,262,760)	(44,262,760)	36,876	(44,225,884)
Currency translation adjustments - subsidiaries	-	-	-	762,960	-	762,960	58,077	821,037
Share of joint ventures' other comprehensive income	-	-	-	2,728,813	-	2,728,813	-	2,728,813
Total comprehensive loss for the year	-	-	-	(32,369,402)	(44,262,760)	(40,770,987)	94,953	(40,676,034)
Conversion of Belgrave Debt to equity in RBD	-	-	-	-	-	-	1,819,625	1,819,625
Convertible Share Option reserve	-	-	-	-	-	-	-	-
New Share Capital subscribed (Note 27)	-	-	-	-	-	-	-	-
At 31 December 2022	**13,661,466**	**147,679,056**	**7,308,521**	**(32,369,402)**	**(150,717,810)**	**(14,438,169)**	**2,630,988**	**(11,807,181)**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2022

		2022	2021
Operating activities		**US$**	**US$**
Loss before taxation		**(43,302,724)**	**(3,910,988)**
Adjustment to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation		258,012	167,690
Share of loss in joint ventures		7,670,443	5,090,686
Foreign Exchange Gains/ (Losses)		253,083	(163,898)
Loss Allowance		1,023,258	-
Impairment of financial assets		19,382,427	-
Impairment of assets held for sale		17,446,534	-
Impairment of Exploration and Evaluation assets		-	2,900,732
Loss/(Profit) on equity settlement of financial liabilities		-	1,753,874
Loss/(Profit) on modification of financial liabilities		-	(354,194)
Unrealised gain on business combination		-	(3,432,730)
Finance income	*8*	(3,599,756)	(2,855,639)
Finance costs	*9*	735,252	803,358
Fair value gains on financial derivatives		-	(20,197)
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		(86,643)	1,459,937
Decrease/(Increase) in inventories		(12,874)	39,804
Increase /(Decrease) in trade and other payables		1,344,138	(808,766)
Income tax paid		(15,396)	(87,248)
Net cash flows used in operating activities		**1,095,754**	**582,421**
Investing activities			
Acquisition of subsidiary net of Cash Acquired		-	18,893
Purchase of oil and gas properties		(102,765)	(153,475)
Purchase of exploration and evaluation Assets		(9,762)	(730,901)
Purchase of assets under construction		(1,554,508)	(495,983)
Interest received		10,535	9,490
Net cash used in investing activities		**(1,656,500)**	**(1,351,976)**
Financing activities			
Proceeds from issue of Convertible debt option		-	2,245,000
Repayment of interest on loan facilities		(248,055)	(88,013)
Repayment of principal on loan facilities		-	(574,430)
Net cash received from financing activities		**(248,055)**	**1,582,557**
Net increase/(decrease) in cash and cash equivalents		**(808,801)**	813,002
Translation adjustment		(2,312)	1,572
Cash and cash equivalents at the beginning of the year		915,602	101,028
Cash and cash equivalents at the end of the year	*25*	**104,489**	**915,602**

Company Statement of Financial Position
As at 31 December 2022

	Note	2022 US$	2021 US$
Non-current Assets			
Property, plant, and equipment	17	-	-
Financial assets - investments in joint ventures and subsidiaries	21	-	8,730,848
Financial assets - loans	22	-	29,278,522
		-	**38,009,370**
Current Assets			
Trade and other receivables	24	94,483	1,613,326
Cash and cash equivalents	25	66,240	709,889
		160,723	2,323,215
Assets associated with assets held for sale	26	1,707,896	-
		1,868,619	2,323,215
Total Assets		**1,868,619**	**40,332,585**
Equity and Liabilities			
Capital and Reserves			
Called up share capital	27	13,661,466	13,661,466
Share premium account		147,679,056	147,679,056
Share-based payment reserve		6,796,540	6,796,540
Retained loss		(180,630,060)	(139,767,920)
Other reserves		511,981	511,981
Equity attributable to equity holders of the parent		**(11,981,017)**	**28,881,123**
Non-current Liabilities			
Interest bearing loans and borrowings	30	1,004,787	1,667,938
Derivative financial liabilities	30	-	313,168
Deferred tax liability	11	6,980,112	6,072,348
		7,984,899	**8,053,454**
Current Liabilities			
Interest-bearing loans and borrowings	30	3,971,394	2,827,041
Derivative financial liabilities		313,168	
Trade and other payables	31	1,580,175	570,967
		5,864,737	**3,398,008**
Total Liabilities		**13,849,636**	**11,451,462**
Total Equity and Liabilities		**1,868,619**	**40,332,585**

The Company reported a loss for the financial year ended 31 December 2022 of US$40.86 million (2021: profit of US$1.389 million).

Approved by the Board on 22 November 2023.

David Sturt
Director

Pavel Tetyakov
Director

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital US$	Share premium US$	Share-based payment and other reserves US$	Retained loss US$	Total US$
At 1 January 2021	**10,896,668**	**141,794,897**	**7,176,463**	**(141,157,590)**	**18,710,438**
Profit/(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	-	132,058
New Share Capital Subscribed	2,764,798	5,884,159	-	-	8,648,957
At 31 December 2021	**13,661,466**	**147,679,056**	**7,308,521**	**(139,767,920)**	**28,881,123**
At 1 January 2022	**13,661,466**	**147,679,056**	**7,308,521**	**(139,767,920)**	**28,881,123**
Loss for the year	-	-	-	(40,862,140)	(40,862,140)
Total comprehensive loss for the year	-	-	-	(40,862,140)	(40,862,140)
Convertible debt option reserve	-	-		-	-
New Share Capital Subscribed	-	-	-	-	-
At 31 December 2022	**13,661,466**	**147,679,056**	**7,308,521**	**(180,630,060)**	**(11,981,017)**

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
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 2022

		2022	2021
Operating Activities	***Note***	**US$**	**US$**
Profit /(Loss) before taxation		**(39,954,376)**	**2,262,498**
Adjustments to reconcile loss before tax to net cash flows			
Non-cash			
Impairment of financial assets- investments in joint ventures and subsidiaries		16,180,007	-
Impairment of financial assets-Loans Receivable		24,324,057	1,883,503
Foreign Exchange Gains		(425)	4,137
Loss Allowance		1,314,016	-
Loss/(Profit) on equity settlement of financial liabilities		-	1,753,874
Loss /(Profit) on modification of financial liabilities		-	(354,194)
Finance income		(3,680,578)	(3,491,312)
Finance costs		749,880	689,044
Fair value gains on financial derivatives		(20,199)	20,197
Unrealised gain on investment in subsidiary		-	(3,625,000)
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		(317,185)	752,941
Increase / (Decrease) in trade and other payables		1,009,208	(560,315)
Net cash flows used in operating activities		**(395,595)**	**(664,627)**
Investing activities			
Loan facilities advances		-	(330,000)
Return of loan facilities		-	26,990
Net cash (used in)/received from investing activities		**-**	**(303,010)**
Financing activities			
Proceeds from issue of Convertible debt		-	**2,245,000**
Repayment of interest on loan facilities		(248,055)	**(88,013)**
Repayment of principal on loan facilities		-	**(574,430)**
Net cash received from financing activities		**(248,055)**	**1,582,557**
Net decrease in cash and cash equivalents		(643,650)	614,920
Translation adjustment		1	(1)
Cash and cash equivalents at the beginning of the year		709,889	94,970
Cash and cash equivalents at the end of the year	***25***	**66,240**	**709,889**

Notes to the Financial Statements

For the year ended 31 December 2022

Notes to the Financial Statements

For the year ended 31 December 2022

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 announced by the Company on the 29 August 2022, Nord Imperial LLC suspended all transhipments of oil from Stimul T LLC, which owns Licence 6. Stimul T LLC parent company is the Cypriot registered WorldAce Investment Limited, a joint venture entity owned 50% by PetroNeft and 50% Oil India International S.P.I.
Suspension of oil transhipments 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 had 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. 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.
Stimul T failed in the first instance to secure legal redress against Nord Imperial LLC, and there were no preliminary adverse Anti-Monopoly findings against Nord Imperial LLC. Accordingly on 10 May 2023, Stimul T LLC, the operator of Licence 61 voluntary filed for bankruptcy administration. On the 1 August 2023, PetroNeft announces it has agreed Heads of Terms for the sale of its equity interest in WorldAce Investment Limited for US$1 to Pavel Tetyakov, current chief executive officer of PetroNeft.

As reported on Note 30, paragraphs (1-2) and (4-5), the Company achieved revised full and final debt settlement terms, for all its loan finance agreements. The main settlement terms include the following.

- For payments equating to 10% of unsecured Loan principal amounts, there would be cancellation of all accrued interest plus the remaining 90% Loan principal.
- For payment equating to 30% of Petrogrand's AB secured Loan principal, there would be cancellation of all accrued interest plus the remaining 70% Loan principal.
- Petrogrand AB, was the only third-party entity holding security over all the assets and future revenue streams of PetroNeft. It is a related party, given Maxim Korobov, a former director and ultimate beneficial owner of Natlata Partners Limited which own 25.7% of PetroNeft. Maxim Korobov also owns more than 50% interest in Petrogrand AB. On payment of the final settlement amounts, all and any securities accruing to Petrogrand AB are cancelled.

The Group has analysed its cash flow requirements through to 31 December 2024. The cash flows are dependent on a) the successful completion of the sale of PetroNeft's Russian assets to Pavel Tetyakov, b) the successful remittance of the sale proceeds to PetroNeft's bank account in Dublin c) proactive management of trade creditors and other accruals, including the agreed deferral of directors and senior management fees, d) discharge debt holders liabilities in line with revised full and final settlement terms e) identify suitable business opportunities that could be reversed into PetroNeft by way of reverse takeover. f) Linked to item e, secure adequate third-party funding to support the integration of the secured new business opportunity while it gets established.

2. Going Concern (continued)

The Group will need additional funding to continue as a going concern, were:

- The disposal of PetroNeft's Russian assets does not materialise.
- The Petrogrand AB loan or other loans will not be extended or re-financed.
- The inability to access intercompany cash holdings continues.
- PetroNeft fails to identify other business opportunities.

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 35 outlines the amounts owed to the Board and management in this regard as of the reporting date.

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:

- Strong support of a its broad shareholder base
- Industry experience and Management's know how in identifying new business opportunities and developing associated strong investment cases.
- the continuous support of our lenders, both convertible and conventional debt
- the incorporation of Environmental, Social and Governance matters to the core of its operations.
- Near term cash injection following the disposal of PetroNeft's Russian assets.

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.
- 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 attributable to the 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 broad shareholders base, and the expected remittance of the sale proceeds to PetroNeft's Irish bank account following the successful sale of PetroNeft's Russian assets which will allow for proactive management of trade payables and loan balances. In addition, PetroNeft's experienced Management team, tasked with identifying targeted companies, which should generate free cashflow once consolidated. 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 2022 is US$Nil, given these assets are now classified a held for sale,

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

post shareholders' approval for disposal of Lineynoye LLC, the holder of Licence 67, to Pavel Tetyakov current Chief Executive officer of PetroNeft. (2021: US$9,730,768).

Financial assets at amortised cost. – Notes 13, 14 ,21 and 22
For 2022, the share of losses and currency translation adjustments in the WorldAce Investment Limited joint venture exceeded the carrying value of equity-accounted investment in the joint venture. Historically 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.

(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.

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2022

3.4 Significant Accounting Judgements, Estimates and Assumptions (continued)

Impairment of financial assets – Note 21
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 29
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 29 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. 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 2022 and 2021 were:

	2022		2021	
US$1 =	**Closing**	**Average**	**Closing**	**Average**
Russian Rouble	70.3383	61.8924	75.313	73.694
Euro	0.9376	0.9509	0.8829	0.8468
British Pound	0.8315	0.8112	0.7419	0.7267

(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.

3.5 Summary of Significant Accounting Policies (continued)

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 2022 or 2021.

(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%

3.5 Summary of Significant Accounting Policies (continued)

(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.

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

3.5 Summary of Significant Accounting Policies (continued)

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.

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.

3.5 Summary of Significant Accounting Policies (continued)

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.

(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.

3.5 Summary of Significant Accounting Policies (continued)

(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.

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.

3.5 Summary of Significant Accounting Policies (continued)

(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.

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, including 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.

3.5 Summary of Significant Accounting Policies (continued)

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.

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.

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

3.5 Summary of Significant Accounting Policies (continued)

the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charges 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 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

3.5 Summary of Significant Accounting Policies (continued)

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 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. 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 new or revised standards and interpretations

There have been no new standards or amendments to standards adopted by the Group during the year ended 31 December 2022, which have had a material impact on the Group.

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, plus given the adoption of international sanctions in the wake of the Russian invasion of Ukraine, 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.

Assets are allocated based on where the assets are located:

Non-current assets	**2022 US$**	**2021 US$**
Russia	-	39,766,931
Ireland	-	-
	-	**39,766,931**

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

Revenue- Location	**2022 US$**	**2021 US$**
Russia	7,727,599	5,815,255
	7,727,599	**5,815,255**

Revenue- Customer	**2022 US$**	**2021 US$**
Alexandrovskoye Oil Refinery 79.4% (2021:71%)	6,141,151	4,133,446
SMPH LLC 0% (2021: 8%)	-	459,063
CJSC Sovkhimteh 0% (2021: 0.03%)	-	19,926
Total Crude oil revenues 79.4% (2021: 79.3%)	6,141,151	4,612,435
WorldAce Investments Limited-8.5% (2021- 7.0%)	655,660	406,577
Russian BD Holdings B.V- 0% (2021-0.5%)	-	26,832
LLC Stimul T- 12.1%, (2021-13.2%)	930,788	769,411
	7,727,599	**5,815,255**

5. Revenue

	2022 US$	2021 US$
Revenue		
Crude Oil Sales	6,141,151	4,612,435
Management Services	655,660	433,409
Construction Services	930,788	769,411
	7,727,599	**5,815,255**

All Crude oil revenues are recorded in Russian BD Holdings B.V., which transitioned from a joint venture to subsidiary entity as and from 1 March 2021.

The revenue arises from sale of Crude oil to third party offtakers, based in the Russian federation (see Note 4).

The Group receives payment for crude oil sales in advance, therefor the risk of default is very low.

The management service 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	**2022**	**2021**
Group	**Number**	**Number**
The average numbers of employees (including Directors) during the year were:		
Directors	5	5
Senior Management	2	2
Professional staff	4	4
Oil field workers	6	6
Construction crew employees	20	20
	37	**37**

Number of employees	**2022**	**2021**
Company	**Number**	**Number**
The average numbers of employees (including Directors) during the year were:		
Directors	6	5
Senior Management	2	2
	8	**7**

Employment costs (including Directors)	**2022**	**2021**
Group	**US$**	**US$**
Wages and salaries	1,866,949	1,447,041
Social insurance costs	191,671	149,030
Contributions to defined contribution pension plan	26,576	21,156
	2,085,196	**1,617,227**

Employment costs (including Directors)	**2022**	**2021**
Company	**US$**	**US$**
Wages and salaries	1,228,161	991,618
Social insurance costs	81,050	63,796
Contributions to defined Pension Plan	26,576	21,156
	1,335,787	**1,076,570**

Directors' emoluments	**2022**	**2021**
Group and Company	**US$**	**US$**
Remuneration and other emoluments - Executive Directors*	771,383	613,832
Remuneration and other emoluments - non-Executive Directors	85,503	53,524
Pension contributions	54,883	31,250
	911,769	**698,606**

Notes to the Financial Statements

For the year ended 31 December 2022

6. Employees (continued)

* Includes termination fees on retirement of PetroNeft's Chief Executive officer of US$188,628 (2021:US$Nil), and Medical Insurance of US$13,171 (2021: 13,832).

(a) Included in the above are unpaid fees and remuneration due to Directors as at 31 December 2022 of US$817,944 (2021: US$172,926)

(b) Pension contributions to directors during the year relate to 2 directors (2021: 2 director).

(c) An amount of US$407,778 (2021: US$340,323) relating to Executive Directors' salaries was re-charged to WorldAce Investments Limited.

(d) An amount of US$122,333 (2021: US$102,097) relating to Executive Directors' salaries was re-charged to Russian BD Holdings B.V.

7. Operating loss

	Note	2022	2021
Operating loss is stated after charging/(crediting):		**US$**	**US$**
Included in cost of sales			
Short term lease rentals - equipment		41,252	17,339
Included in administrative expenses			
Foreign exchange (gains)/losses		20,852	(40,772)
Short term lease rentals - land and buildings		29,602	8,435
Depreciation of property, plant, and equipment			
Included in cost of sales		258,012	167,690
Included in administrative expenses		-	-
		258,012	167,690
Auditors' remuneration - Group			
-audit of group financial statements		171,194	80,704
-other non-audit services		134,531	196,966
		305,725	277,670
Auditors' remuneration - Company			
-audit of entity financial statements		45,000	17,250
-audit of group financial statements		126,194	55,934
-other non-audit services		-	7,520
		171,194	80,704

8. Finance income

	2022 US$	2021 US$
Bank interest receivable	10,535	9,490
Interest receivable on loans to Joint Ventures	3,589,221	2,846,149
	3,599,756	**2,855,639**
Total interest income on financial assets	**3,589,221**	**2,846,149**

9. Finance costs

	2022 US$	2021 US$
Interest on loans	719,967	800,698
Unwinding of discount on decommissioning provision (note 29)	15,285	2,660
	735,252	**803,358**
In respect of liabilities not at fair value through Profit and Loss	-	-
Total interest expense on financial liabilities	**735,252**	**803,358**

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	2022 US$	2021 US$
Current income tax		
Current income tax charge	8,885	87,522
Total current income tax	**8,885**	**87,522**
Deferred tax		
Relating to the origination and reversal of temporary differences	914,275	872,554
Total deferred tax	**914,275**	**872,554**
Income tax expense reported in the Consolidated Income Statement	**923,160**	**960,076**

	2022 US$	2021 US$
Loss before income tax	**(43,302,724)**	(3,910,988)
Accounting loss multiplied by Irish standard rate of tax of 12.5%	(5,412,840)	(488,874)
Non-deductible expenses	4,603.620	454,989
Effect of higher tax rates on investment income	449,970	436,414
Tax deductible timing differences	-	(12,104)
Share of joint ventures' net loss	958,805	636,336
Other	323,606	22,444
Profits taxable at higher rates	-	7,168
Taxable losses not utilised	-	(96,297)
Total tax expense reported in the Consolidated Income Statement	**923,160**	**960,076**

Deferred tax Group and Company	2022 US$	2021 US$
Deferred income tax liability		
At 1 January	6,072,348	5,199,522
Expense for the year recognised in the income statement	914,275	872,554
Translation adjustment	(6,511)	272
At 31 December	**6,980,112**	**6,072,348**

Notes to the Financial Statements

For the year ended 31 December 2022

11. Income Tax (continued)

Deferred tax at 31 December relates to the following:	2022 US$	2021 US$
Deferred income tax liability		
Accrued interest income on intra-Group loans	6,980,112	6,072,348
	6,980,112	**6,072,348**

The Group has tax losses which arose in Russia that are available for offset against future profits in Russia only.

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.

	2022	2021
Numerator	US$	US$
Loss attributable to equity shareholders of the Parent for basic loss	(44,262,760)	(4,867,482)
	(44,262,760)	**(4,867,482)**
Denominator		
Weighted average number of Ordinary Shares for basic	**1,071,792,613**	**1,000,024,400**
Loss per share:		
Basic and Diluted - *US dollar cent*	**(4.13)**	**(0.49)**

At the Financial year end the Company had convertible debt instruments in issue that had the potential to dilute basic earnings per Ordinary Share in the future as per Note 36. At time of publication of the PetroNeft's Annual Report for FY 2022, the options have expired.

During FY 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 2021	-
Elimination of unrealised profit on intra-Group transactions	-
Retained loss	(4,964,655)
Currency Translation adjustment	(302,530)
Credited against loans receivable from WorldAce Investments Limited (Note 22)	5,267,184
At 1 January 2022	-
Elimination of unrealised profit on intra-Group transactions	-
Retained loss	(7,670,443)
Currency Translation adjustment	2,728,813
Credited against loans receivable from WorldAce Investments Limited (Note 22)	4,941,627
At 31 December 2022	-

The balance sheet position of WorldAce shows net liabilities of US$109,331,457 (2021: US$99,448,212) following a loss in the year of US$15,340,888 (2021: US$9,929,308) together with a positive currency translation adjustment of US$5,457,527 (2021: negative US$605,059). PetroNeft's 50% share is included above and results in a negative carrying value of US$49,983,330 (2021: US$45,041,703). 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$49,983,330 (2021: US$45,041,073) 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

	2022 US$	2021 US$
Revenue	30,445,771	29,912,441
Cost of sales	(30,972,007)	(28,649,622)
Gross profit	**(526,236)**	**1,262,819**
Administrative expenses	(5,795,756)	(4,144,337)
Operating profit/(loss)	**(6,321,992)**	**(2,881,518)**
Finance Income	73,583	90,803
Finance costs	(9,092,480)	(7,138,593)
Loss for the year for continuing operations before taxation	**(15,340,888)**	**(9,929,308)**
Income tax expense	-	-
Loss for the year	**(15,340,888)**	**(9,929,308)**
Loss for the year	(15,340,888)	(9,929,308)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Currency translation adjustments	5,457,627	(605,059)
Total comprehensive loss for the year	**(9,883,261)**	**(10,534,367)**
PetroNeft share of net loss for year	(7,670,443)	*(4,964,655)*
PetroNeft share of currency translation adjustments	2,728,814	*(302,530)*
PetroNeft share (50%)	**(4,941,627)**	***(5,267,184)***
Included in the above numbers are charges for		
Depreciation and Amortisation	**1,572,706**	**1,125,173**

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 fluctuated considerably during 2022 as evidenced by the movement of the average dollar/ rouble exchange rate year over year, RUB61.89:US$1 (2021: RUB 73.69:US$1).

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

	2022 US$	2021 US$
Non-current Assets		
Oil and gas properties	65,101,373	61,593,374
Property, plant, and equipment	960,301	851,000
Exploration and evaluation assets	-	-
Assets under construction	1,403,978	1,565,336
Intangible Assets	1,904,998	1,786,837
	69,370,649	**65,796,546**
Current Assets		
Inventories	3,514,430	3,088,533
Trade and other receivables	951,572	2,058,182
Cash and cash equivalents	226,315	185,274
	4,692,317	**5,331,989**
Total Assets	**74,062,966**	**71,128,535**
Non-current Liabilities		
Provisions	2,356,553	1,954,593
Obligations under finance lease	9,659	16,009
Interest-bearing loans and borrowings	166,073,233	157,285,969
	168,439,445	**159,256,571**
Current Liabilities		
Trade and other payables	14,692,233	11,014,189
Obligations under finance lease	-	43,242
Corporation Tax	262,745	262,745
Interest-bearing loans and borrowings	-	-
	14,954,978	**11,320,176**
Total Liabilities	**183,394,423**	**170,576,747**
Net Liabilities	**109,331,457**	**99,448,212**
Non -Current Financial Liabilities	**166,082,892**	**157,301,978**
Current Financial Liabilities	**-**	**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 35** Related party disclosures.

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

Capital commitments	2022 US$	2021 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 was 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 2021	-
Elimination of unrealised profit on intra-Group transactions	-
Share of net loss of joint venture for the year	(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 following a loss in the 2-month period ending 28 February 2021 of US$252,062 together with a negative currency translation of US$52,638. PetroNeft's 50% share is included above and results in a negative carrying value of US$3,834,269. 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 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)

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15. Financial reporting of PetroNeft's investment in Russian BD Holdings B.V.

	Consolidated	Consolidated	Consolidated	Joint Venture
	2022 US$	2021 US$	10 Months Ended 31 December 2021	2 Months Ended 28 February 2021
Continuing operations				
Revenue	6,141,151	4,640,415	4,612,435	27,980
Cost of sales	5,302,719	(3,482,152)	(3,386,515)	(95,637)
Gross profit	**838,432**	**1,158,263**	**1,225,920**	**(67,657)**
Administrative expenses	(351,882)	(513,406)	(474,039)	(39,367)
Operating profit/(loss)	**486,550**	**644,857**	**751,881**	**(107,024)**
Finance income	8,249	9,323	9,317	6
Finance costs	(117,127)	(864,128)	(719,084)	(145,044)
Loss for the year for continuing operations before taxation	**377,672**	**(209,948)**	**42,114**	**(252,062)**
Income tax expense	8,915	(77,936)	(77,936)	-
Loss for the year	**368,757**	**(287,884)**	**(35,822)**	**(252,062)**
Loss for the year	368,757	(287,884)	(35,822)	(252,062)
Other comprehensive income to be reclassified to profit or loss in subsequent years:				
Currency translation adjustments	580,770	(102,716)	(50,078)	(52,638)
Total comprehensive loss for the year	**949,527**	**(390,600)**	**(85,900)**	**(304,700)**
PetroNeft Share	**90%**	**90%**	**90%**	50%
Non-Controlling Interest/ Joint Venture Partner	**10%**	**10%**	**10%**	50%
	100%	**100%**	**100%**	**100%**
PetroNeft Share	**854,574**	**(229,660)**	**(77,310)**	(152,350)
Non-Controlling Interest/ Joint Venture Partner-Share of Profit/(Loss) (Note 28)	**36,876**	**(129,613)**	**(3,582)**	(126,031)
Currency translation adjustments (Note 28)	**58,077**	**(31,327)**	**(5,008)**	**(26,319)**
	949,527	**390,600**	**85,900**	**304,700**
Included in the above numbers are charges for				
Depreciation and Amortisation	**235,201**	**152,817**		

15. Financial reporting of PetroNeft's investment in Russian BD Holdings B.V (continued)

	2022 US$	2021 US$
Non-current Assets		
Oil and gas properties	5,343,036	5,006,667
Property, plant, and equipment	14,788	9,890
Exploration and evaluation assets	9,826,019	9,730,768
Assets under construction	1,959,644	516,953
Intangible Assets	3,827,838	3,659,091
	20,971,324	**18,923,368**
Current Assets		
Inventories	92,877	68,268
Trade and other receivables	77,608	64,911
Cash and cash equivalents	24,014	205,304
	194,499	**338,483**
Total Assets	**21,165,823**	**19,261,851**
Non-current Liabilities		
Provisions	283,958	254,629
Interest-bearing loans and borrowings	-	1,809,140
	283,958	**2,063,769**
Current Liabilities		
Trade and other payables	1,891,005	1,897,958
	1,891,005	**1,897,958**
Total Liabilities	**2,174,963**	**3,961,727**
Net Liabilities	**(18,990,860)**	**(15,300,124)**
Non -Current Financial Liabilities	**0**	**1,809,140**
Current Financial Liabilities	**-**	**-**

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16. Oil and gas properties

	Wells US$	Equipment and facilities US$	Total US$
Cost			
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 1 January 2022	**3,888,755**	**1,182,016**	**5,070,771**
Transferred from exploration and evaluation assets (Note 18)	-	-	-
Transferred from assets under construction (Note 19)	-	-	-
Additions	-	93,708	93,708
Reclassified to current assets held for sale (Note 26)	(4,163,831)	(1,343,568)	(5,507,399)
Translation adjustment	275,076	67,845	342,921
At 31 December 2022	**-**	**-**	**-**
Depreciation			
At 1 January 2021	-	-	-
Charge for the year	54,446	11,020	65,466
Translation adjustment	(1,112)	(250)	(1,362)
At 1 January 2022	**53,334**	**10,770**	**64,104**
Charge for the year	90,435	43,901	134,336
Reclassified to current assets held for sale (Note 26)	(114,300)	(50,063)	(164,363)
Translation adjustment	(29,468)	(4,608)	(34,076)
At 31 December 2022	**-**	**-**	**-**
Net book values			
At 31 December 2022	**-**	**-**	**-**
At 31 December 2021	3,835,422	1,171,246	5,006,667

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17. Property, Plant and Equipment

	Plant and machinery US$	Motor Vehicles US$	Property Plant and Equipment US$	Total US$
Cost				
At 1 January 2021	575,418	-	32,065	607,483
Additions	142,150	11,325	-	153,475
Translation adjustment	(8,094)	116	-	(7,978)
At 1 January 2022	**709,474**	**11,441**	**32,066**	**752,981**
Additions	-	9,057	-	9,057
Reclassified to current assets held for sale (Note 26)	(756,372)	(20,556)		(776,928)
Translation adjustment	46,898	58	-	46,956
At 31 December 2022	**-**	**-**	**32,066**	**32,066**
Depreciation				
At 1 January 2021	570,737	-	32,066	602,803
Charge for the year	35,928	1,598	-	37,526
Translation adjustment	(5,918)	(47)	-	(5,965)
At 1 January 2022	**600,747**	**1,551**	**32,066**	**634,364**
Charge for the year	25,798	4,811	-	30,609
Reclassified to current assets held for sale (Note 26)	(662,777)	(5,767)		(668,544)
Translation adjustment	36,232	(595)	-	35,637
At 31 December 2022	**-**	**-**	**32,066**	**32,066**
Net book values				
At 31 December 2022	**-**	**-**	**-**	**-**
At 31 December 2021	108,727	9,890	-	118,618

Company	Plant and machinery US$
Cost	
At 1 January 2021	32,066
At 1 January 2022	32,066
At 31 December 2022	32,066
Depreciation	
At 1 January 2021	32,066
Charge for the year	-
At 1 January 2022	**32,066**
Charge for the period	-
At 31 December 2022	**32,066**
Net book values	
At 31 December 2022	-
At 31 December 2021	-

18. Exploration and evaluation assets

Group	Exploration & Evaluation Expenditure US$
Cost	
At 1 January 2021	**-**
Acquired through Business combination	20,824,936
Impairment of oil and exploration assets	(2,900,732)
Acquired through Business combination post impairment	17,924,204
Additions	730,901
Transferred to oil and gas properties	(3,960,847)
Transferred to equipment & facilities	(101,131)
Transferred to assets under construction	(1,135,999)
Transferred to intangible assets	(3,809,804)
Translation adjustment	83,444
At 1 January 2022	9,730,768
Acquired through Business combination	-
Impairment of oil and exploration assets	-
Acquired through Business combination post impairment	9,730,768
Additions	9,762
Transferred to oil and gas properties	-
Transferred to equipment & facilities	-
Transferred to assets under construction	-
Transferred to intangible assets	-
Reclassified to current assets held for sale (Note 26)	(9,826,019)
Translation adjustment	85,489
At 31 December 2022	**-**
Net book values	
At 31 December 2022	**-**
At 31 December 2021	9,730,768

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For the year ended 31 December 2022

19. Assets under construction

Group	Assets under construction US$
Cost	
At 1 January 2021	-
Transferred from exploration and evaluation assets (Note 18)	1,135,999
Transferred to equipment & facilities (Note 16)	(1,139,456)
Additions	495,983
Translation adjustment	24,427
At 1 January 2022	**516,953**
Transferred from exploration and evaluation assets (Note 18)	-
Transferred to Equipment and Facilities (Note 16)	-
Additions	1,554,508
Reclassified to current assets held for sale (Note 26)	(1,959,644)
Translation adjustment	(111,817)
At 31 December 2022	**-**
Net book values	
At 31 December 2022	**-**
At 31 December 2021	516,953

Notes to the Financial Statements

For the year ended 31 December 2022

20. Intangible Assets

Group

	US$
Cost	
At 1 January 2021	-
Transferred from exploration and evaluation assets (Note 18)	3,809,804
Translation Adjustment	(66,710)
At 1 January 2022	**3,743,094**
Transfer from Exploration and Evaluation Assets	-
Reclassified to current assets held for sale (Note 26)	(4,007,866)
Translation Adjustment	264,772
At 31 December 2022	**-**
Depreciation	
At 1 January 2020	-
Charge for the year	64,098
Translation adjustment	19,305
At 1 January 2021	**84,003**
Charge for the year	93,067
Reclassified to current assets held for sale (Note 26)	(180,028)
Translation adjustment	2,958
At 31 December 2022	**-**
Net book values	
At 31 December 2022	**-**
At 31 December 2021	3,659,091

21. Investment in Joint Venture and Subsidiaries

Company	**Investment in joint ventures US$**	**Investment in Subsidiaries US$**	**Total US$**
Cost			
At 1 January 2021	-	13,848	13,848
Investment in Russian BD Holdings B.V.	-	8,717,000	8,717,000
At 1 January 2022	-	8,730,848	8,730,848
Investment in Russian BD Holdings B.V.*(Note 32 & 35)	-	9,157,055	9,157,055
Reclassified to current assets held for sale (Note 26)	-	(1,707,896)	(1,707,896)
	-	16,180,007	16,180,007
Impairment of financial assets**	-	(16,180,007)	(16,180,007)
At 31 December 2022	**-**	**-**	**-**
Net book values			
At 31 December 2022	**-**	**-**	**-**
At 31 December 2021	-	8,730,848	8,730,848

21. Investment in Joint Venture and Subsidiaries (continued)

*****The increase in Investment in Russian BD Holdings B.V., arose as to the transfer of loans receivable by PetroNeft in the sum of US$8,593,199 (Note 22) and receivables from recharge of recoverable CSMA costs of US$563,856, totalling US$9,157,055.
****** The investment in the subsidiary net of amount reclassified to current assets held for sale is subsequently impaired at 100% level.

Details of the Company's holding in direct and indirect subsidiaries at 31st December 2022 are as follows:

Name of subsidiary	Registered office	Proportion of ownership interest	Proportion of voting power held	Principal activity
Granite Construction LLC	13 Sovpartshkolny Lane, Office 210, Tomsk 634009, Russia	100%	100%	Construction
Dolomite LLC	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
Lineynoye LLC	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 2022 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
Stimul-T LLC	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	2022	2021
	US$	US$
Loans to WorldAce Investments Limited (Note 35)	72,475,258	68,886,038
Loss Allowance (Note 31)	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited loss (Note 13)	(49,983,330)	(45,041,703)
Less: Impairment Provision (Note 31)	(19,382,427)	-
	-	**20,734,834**
Loans to Russian BD Holdings B.V. (Note 35)	8,543,688	7,866,765
Less Accumulated Share of Joint Venture losses through Feb 2021 (Note 10)	-	(3,834,269)
Loans to Russian BD Holdings B.V., pre-Consolidation	-	4,032,496
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	49,511	346,923
Loan Advances	-	330,000
Loans to Russian BD Holdings B.V. at 31 December	8,593,199	**8,543,688**
Elimination of Russian BD Holding B.V. loan on Consolidation at year End	(8,593,199)	(8,543,688)
Total Group Loans to Joint Ventures	-	**20,734,834**

Company	2022	2021
	US$	US$
Loans to WorldAce Investments Limited (Note 35)	72,475,258	68,886,038
Loss Allowance (Note 35)	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited loss (Note 13)	(49,983,330)	(45,041,703)
Less: Impairment Provision (Note 35)	(19,382,427)	-
	-	**20,734,834**
Loans to Russian BD Holdings B.V. (Note 35)	8,593,199	8,841,927
Less Transfer to Investments in Subsidiaries (Note 21 & 32)	(8,593,199)	-
	-	8,841,927
Loss Allowance	-	(298,239)
	-	**8,543,688**
Total Company Loans to Joint Venture and Subsidiary	-	**29,278,522**

22. Financial assets - loans and receivables (continued)

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%. The loan was set to mature on 31 December 2025. As at 31 December 2022 the loan was fully drawn down. The realisation of financial assets of $19.3m in respect of WorldAce was dependent on the continued successful development of economic reserves which is subject to several uncertainties including the ability to raise finance, future rates of oil production and future international oil prices to continue to successfully generate revenue from the assets or the monetisation of the asset through a sale or farmout. The asset has been shut in due to the non-transhipment of oil on the Nord Imperial LLC pipeline. This occurred as a commercial and legal dispute arose between Stimul T LLC and Nord Imperial LLC as to tariff rates applicable which increasingly made the production of oil on L61 non-commercial. Post a protracted legal dispute, Stimul T LLC lost in the first instance and on 10 May 2023 Stimul T filed for voluntary bankruptcy. On 12 October 2023 at the Extraordinary General Meeting of PetroNeft, the shareholders voted by 88% for and 12 % against, to accept an offer of 1$(one dollar) for PetroNeft's equity interest in WorldAce Investment Limited from Pavel Tetyakov. Accordingly, any sums outstanding on loan facilities are considered fully impaired.

In March 2021, the Company increased its equity holding in Licence 67 from 50% to 90%. The shareholders of Russian BD Holdings B.V. (RBD) passed a resolution, effective as of 9 February 2022, to convert all loan balances and payables owing to them, at that time into the share premium account as part of equity of Russian BD Holdings B.V. This increased the value of the Investment in Subsidiaries at PetroNeft Company level. As no financial assets loan facilities, attributable to Russian BD Holdings B.V., were outstanding as of 31 December 2022 no impairment provision was recorded against the loans outstanding as of 31 December 2022 on either a Company or Group level.

23. Inventories

	2022	2021
	US$	US$
Lineynoye LLC. Part of Russian BD Holdings B.V. - Materials (Note 15)	92,877	68,628
Granite LLC -Materials	9,561	18,214
Transfer to Assets held for sale (Note 26)	(102,438)	-
	-	**86,842**

24. Trade and other receivables

Group	2022 US$	2021 US$
Receivable from joint venture (Note 35)	-	938,033
Prepayments	25,155	61,467
Advances to contractors	0	37,694
Other receivables	69,328	88,860
Receivables LLC. Part of Russian Holdings B.V. (Note 15)	77,608	-
Receivables Granite LLC	7,772	-
Transfer To Assets held for sale (Note 26)	(85,380)	-
	94,483	**1,126,054**

Company	2022 US$	2021 US$
Amounts owed by subsidiary undertakings (Note 35)	-	596,511
Amounts owed by other related companies (Note 35)	-	921,295
VAT Receivable	69,329	36,414
Prepayments	25,154	59,106
	94,483	**1,613,326**

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%.

Amounts owed by joint venture and or subsidiary undertakings, are provided for loss allowance at 100% at year end, at both Company and Group level. Given PetroNeft has formally agreed Heads of Terms for sale of its Russian assets to Pavel Tetyakov, the reimbursement of the amount owed by the Subsidiaries or Joint Venture, is not expected to be recovered from remittances by the Russian business operations or expected receipts from disposal of the Russian assets.

25. Cash and Cash Equivalents

Group	2022 US$	2021 US$
Cash at bank	104,489	915,602
	104,489	**915,602**

Company	2022 US$	2021 US$
Cash at bank	66,240	709,889
	66,240	**709,889**

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. Assets and Liabilities held for sale

Group	2022	2021
	US$	US$
Oil and gas properties (Note 16)	5,343,036	-
Property plant and Equipment (Note 17)	108,384	-
Exploration and evaluation assets (Note 18)	9,826,019	-
Assets under construction (Note 19)	1,959,644	-
Intangible Assets (Note 20)	3,827,838	-
Inventories (Note 23)	102,438	-
Trade and other receivables (Note 24)	85,380	-
	21,252,739	-
Impairment of Assets held for Sale	(17,446,534)	-
Assets Held for Sale	**3,806,205**	**-**
Provisions (Note 29)	283,958	-
Trade and other payables (Note 31)	1,595,591	-
Liabilities held for Sale	1,879,550	**-**
Assets Held for Sale -Net of Liabilities	**1,926,656**	**-**
Analysed as to:		
PetroNeft Resources plc (Holding Company)	1,707,896	**-**
Belgrave Naftogas B.V. (Minority Shareholder)	218,760	**-**
	1,926,656	**-**

Company	2022	2021
	US$	US$
Investment in subsidiaries (Note 21)	1,707,896	-
Assets held for sale	**1,707,896**	**-**

On 25 November 2022, the Company announced a strategic review of its business operations as it was facing increasing challenges due to the continued Ukrainian-Russian conflict and the consequent international sanctions directed at leading Russian financial institutions and in particular, the Oil and Gas sector. The difficulties in financing the drilling of development wells at the Cheremshanskoye field combined with the challenges in retaining professional service companies was more evidence of these significant operational challenges. Matters were compounded by the inability to secure any resolution to the Nord Imperial LLC tariff dispute, which ultimately led to Stimul T LLC, the owner of Licence 61 filing for bankruptcy administration on 10 May 2023. The strategic review which included all stakeholders, would eventually lead to Heads of Terms agreed with Pavel Tetyakov for the sale of PetroNeft's key assets. The disposal will include the sale of PetroNeft's 100% indirect shareholdings in both Lineynoye LLC, the holder of Licence 67, and Granite Construction LLC, the provider of well maintenance services. While Stimul T LLC is in bankruptcy administration, Pavel Tetyakov has agreed to acquire

PetroNeft's 50% equity interest in the joint venture arrangement with Oil India International B.V., the Cypriot registered WorldAce Investment Limited and parent of Stimul T LLC.

PetroNeft's remaining Russian legal entity, Dolomite LLC, given it has remained dormant for a number of years will also seek voluntary bankruptcy administration.

27. Share Capital - Group and Company

	2022	2021
	€	€
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 2021	839,356,741	10,896,668
Issued during the year	232,435,872	2,764,798
At 1 January 2022	1,071,792,613	13,661,466
Issued during the year	-	-
At 31 December 2022	1,071,792,613	13,661,466

28. Non - Controlling Interests

	2022	2021
	US$	US$
Opening Balance	716,410	725,000
Belgrave loans converted to RBD equity (Note 30 & 35)	1,819,625	-
Share of Russian BD Holdings B.V. Profit/ (Loss) (Note 15)	36,876	(3,582)
Share of Russian BD Holdings B.V. Currency Exchange Differences (Note 15)	58,077	(5,008)
	2,630,988	716,410

29. Provisions

	2022	2021
	US$	US$
At 1 January	254,629	-
Additions	-	251,969
Unwinding of discount	15,285	2,660
Transfer to Liabilities held for sale (note 26)	(283,958)	
Translation adjustment	14,044	-
At 31 December	-	254,629

29. Provisions (continued)

The decommissioning provision represents the present value of decommissioning costs relating to the Group's Russian oil interests in Lineynoye LLC., 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.

At an Extraordinary General Meeting of PetroNeft, held on 12 October 2023, the shareholders voted by 88% to sanction the sale of Lineynoye LLC to Pavel Tetyakov. Accordingly, as of 31 December 2022, the sum reported as a provision against future decommissioning costs is transferred to liabilities held for sale.

30. Loans and Borrowings

Group and Company	Effective interest rate %	Contractual maturity date	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
Interest-bearing						
Current liabilities						
Petrogrand AB	10.59%	15-Mar-23	2,494,021	2,271,495	2,494,021	2,271,495
Natlata Partner Limited	10.14%	31-Mar-23	258,418	238,911	258,418	238,911
ADM Consulting	10.16%	31-Mar-23	185,519	171,584	185,519	171,584
Daria Shaftelskaya	10.13%	31-Mar-23	110,530	102,170	110,530	102,170
Michael Murphy	10.14%	31-Mar-23	23,184	21,444	23,184	21,444
David Sturt	10.14%	31-Mar-23	23,177	21,437	23,177	21,437
Natlata Partners Limited	8.1%	11-Mar-23	159,952	-	159,592	-
ADM Consulting	8.1%	11-Mar-23	160,344	-	160,344	-
David Sturt	8.1%	11-Mar-23	88,073	-	88,073	-
Karl Johnson	8.1%	11-Mar-23	65,688	-	65,688	-
Pavel Tetyakov	8.1%	11-Mar-23	34,646	-	34,646	-
Others	8.1%	11-Mar-23	367,842	-	367,842	-
			3,971,394		**3,971,394**	
Derivative financial liabilities	8.1%	11-Mar-23	313,168	-	313,168	-
Total current loans			**4,284,562**	**2,827,041**	**4,284,562**	**2,827,041**
Non- Current Liabilities						
Belgrave Naftogas B.V.	6.05%	31-Dec-25	-	1,809,140	-	-
Belgrave Naftogas B.V.	8.10%	04-Mar-24	1,004,787	914,396	1,004,787	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
			1,004,787	3,477,078	1,004,787	1,667,938
Derivative financial liabilities	8.10%	11-Mar-23	-	**313,168**	-	**313,168**
Total non-current loans			**1,004,787**	**3,790,246**	**1,004,787**	**1,981,106**
Total loans and borrowings			**5,289,349**	**6,617,287**	**5,289,349**	**6,617,287**
Contractual undiscounted liability			**5,289,349**	**6,617,287**	**5,289,349**	**6,617,287**

30. Loans and Borrowings (continued)

Changes in financial liabilities arising from financing activities	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
At 1 January	**6,617,287**	**4,151,391**	**4,808,147**	**4,151,391**
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	719,967	800,698	729,681	729,438
	7,337,254	**11,293,771**	**5,537,828**	
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	(248,055)	(88,013)	(248,055)	(88,013)
Principal Repayment	-	(574,430)	-	(574,430)
Converted to equity in RBD (Note 28 & 3 5)	(1,819,625)	-	-	-
Loss/(Profit) on modification of financial liabilities	-	(354,194)	-	(354,194)
Loss/(Profit) on settlement of financial liabilities	-	(19,232)	-	(19,232)
Reserve accounting for changes in financial liabilities	-	(83,182)	-	(83,182)
Translation Reserve	19,775	(5,685)	(424)	(5,685)
At period end	**5,289,349**	**6,617,287**	**5,289,349**	**4,808,147**

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, which was subsequently extended by mutual agreement to 15 March 2023. On 30 June 2023, PetroNeft announced subject to receipt of funds from the anticipated sale of PetroNeft's Russian assets that it had secured from Petrogrand AB, for full and final settlement, concessions of 70% on the principal outstanding and 100% on the accrued interest. Expected cash outgoing was estimated at $0.69M, which would be subject to revision depending on the Russian withholding tax, if any plus the then prevailing rouble/ dollar exchange rate. In addition, it was agreed that on payment of the final agreed amount, there would be an automatic cancellation of any and all securities held by Petrogrand AB. Given by virtue of Maxim Korobov, until 17th January 2020 a director of PetroNeft, and being a majority shareholder of Petrogrand, in excess of 50%, plus a significant shareholder in PetroNeft controlling 25.7% of its issued equity, it is reported that Petrogrand AB is a related party. For details of transactions between PetroNeft and Petrogrand AB, see Note 35 Related party disclosures.

2. Post conversion of the 65% loan principal attributable to the 2019 convertible loan facility, the final revised maturity date was extended to 31 December 2022 and subsequently to the 31 March 2023. On 5 September 2023, PetroNeft announced subject to receipt of funds from the anticipated sale of PetroNeft's Russian assets that it had secured from 2019 Convert Loan Holders, for full and final settlement, concessions of 90% on the principal outstanding and 100% on the accrued interest. Expected cash outgoing is estimated at $0.045M, which would be subject to revision depending on the Russian withholding tax, if any plus the then prevailing rouble/ dollar exchange rate.

3. From 1 March 2021, 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 carried an interest rate of 3 months average LIBOR plus 5%, and the final date of maturity was 31 December 2025. On the 9 February 2022, shareholders in Russian BD Holdings B.V, elected to convert their loan balances into equity of Russian BD Holdings B.V. See note 28 non-controlling liabilities.

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 carried a bank of England base rate plus 8% matures on 4 March 2024. On 5 September 2023, PetroNeft announced subject to receipt of funds from the anticipated sale of PetroNeft's Russian assets that it had secured from Belgrave Naftogas B.V, for full and final settlement, concessions of 90% on the principal outstanding and 100% on the accrued interest. Expected cash outgoing was estimated at $0.085M, which would be subject to revision depending on the Russian withholding tax, if any plus the then prevailing rouble/ dollar exchange rate.

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. During 2022 and given the conversion period has elapsed the remaining 4 holders did not exercise their rights to convert their loan receivable amounts to equity in PetroNeft. On 5 September 2023, PetroNeft announced subject to receipt of funds from the anticipated sale of PetroNeft's Russian assets that it had secured from the 2021 Convertible debt holders, for full and final settlement, concessions of 90% on the principal outstanding and 100% on the accrued interest. Expected cash outgoing is estimated at $0.103M, which would be subject to revision depending on the Russian withholding tax, if any plus the then prevailing rouble/ dollar exchange rate.

31. Trade and other payables

Group

	2022 US$	2021 US$
Trade payables	302,408	329,956
Trade and other payables to joint ventures	0	712,455
Director Expenses	1,086	6,200
Corporation tax	55,232	55,031
Other taxes and social insurance costs	44,305	539,844
Accruals and other payables	1,260,317	258,451
Lineynoye LLC, part of Russian BD Holdings B.V. -Trade and other payables (Note 15)	1,517,893	-
Granite LLC	77,698	-
Transfer to Liabilities held for sale- (Note 26)	(1,595,591)	-
	1,663,347	**1,901,937**

Company	2022 US$	2021 US$
Trade payables	235,409	241,995
Director Expenses	1,086	6,200
Corporation tax	55,232	55,232
Other taxes and social welfare costs	44,305	10,879
Accruals and other payables	1,244,143	256,661
	1,580,175	**570,967**

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.

A sum of US$754,102 (Note 35), representing trade payables by Lineynoye LLC to Stimul T LLC of US$748,546 and by Granite Construction LLC to Stimul T LLC of US$ 5,556 has been reclassified at year end as Liabilities held for sale and included with the overall Liabilities held for Sale sum of US$1,595,591 as per Note 26.

32. 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.

32. Financial risk management objectives and policies (continued)

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. 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 2022 and 2021, 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 2022 and 2021, 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 2022. 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.

Notes to the Financial Statements

For the year ended 31 December 2022

Group	Change in USD/RUB	Effect on loss before tax	Effect on pre-tax equity	Change in USD/EUR	Effect on loss before tax	Effect on pre-tax equity	Change in USD/GBP	Effect on loss before tax	Effect on pre-tax equity
		US$	US$		US$	US$		US$	US$
2022	5%	-13,282	-13,282	5%	40,620	40,620	5%	5,890	5,890
2022	-5%	14,680	14,680	-5%	23,209	23,209	-5%	3,722	3,722
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

Company	Change in USD/RUB	Effect on profit before tax	Effect on pre-tax equity	Change in USD/EUR	Effect on profit before tax	Effect on pre-tax equity	Change in USD/GBP	Effect on profit before tax	Effect on pre-tax equity
		US$	US$		US$	US$		US$	US$
2022	5%	-13,282	-13,282	5%	40,620	40,620	5%	5,890	5,890
2022	-5%	14,680	14,680	-5%	23,209	23,209	-5%	3,722	3,722
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

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 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

32. Financial risk management objectives and policies (continued)

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.

32. Financial risk management objectives and policies (continued)

Further ECL of $ 19,382,427 USD (note 22), have been estimated for 2022, given the shareholders of PetroNeft, at the Company's Extraordinary General Meeting, held on 12 October 2023, agreed to the sale of PetroNeft's equity interest in WorldAce Investments Limited (W.I.L). for $1 USD (one dollar). The loan to WorldAce Investment Limited was to be reimbursed out of the sale or farm in, to its Oil interest, Licence 61 held by Stimul -T LLC, it being a subsidiary of WorldAce Investment Limited. Stimul-T LLC has been in bankruptcy administration since first announced by PetroNeft on 11 May 2023, given the lack of a resolution to a commercial dispute between it and Nord Imperial LLC, the transhipment company for oil from Licence 61.

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

32. 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:

2022 Group	Internal credit rating	External credit rating	Gross carrying amount. US$	ECL US$	Accumulated joint venture losses. US$	Loss allowance US$	Net carrying amount. US$
Loans to joint venture WorldAce	N/A	N/A	72,475,258	(19,382,427)	(49,983,330)	(3,109,501)	-
2022 Company							
Loans to subsidiary Russian BD Holdings B.V.	N/A	N/A	-	-	-	-	-
Loans to joint venture WorldAce	N/A	N/A	72,475,258	(19,382,427)	(49,983,330)	(3,109,501)	-

The 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 equity of Russian BD Holdings B.V. From a PetroNeft Company perspective the loans owing from Russian BD Holdings, in the sum of US$8,593,199 (Note 22) was reclassified to Financial Assets Investment in Subsidiary, which was subsequently impaired post confirmation of agreed sale by the members of PetroNeft at its Extraordinary General Meeting on 12 October 2023 to Pavel Tetyakov, of its 100% interest in Lineynoye LLC, the holder of Licence 67.

Cash and cash equivalents
The total amount of US$104,489 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 2022, the Group, and the Company have outstanding loan facilities and payables as described in Notes 30 and 31 above.

The expected maturity of the Group and Company's third-party financial assets (excluding prepayments) as at 31 December 2022 and 2021 was less than one month.

The expected maturity of the Group and Company's related party financial assets as of 31 December 2022 and 2021 is less than one year.

32. Financial risk management objectives and policies (continued)

The Group and the Company further mitigated liquidity risk by entering into preliminary agreement with debt holders for full and final settlement of all loans outstanding at significant reductions to Principal and interest. Settlement will be conditional on successful completion of the sale of the Russian assets to Pavel Tetyakov and reimbursement of proceeds to PetroNeft's bank account in Ireland for onward payment to the Debt holders on the revised terms and conditions as outlined above in Note 30- Loans and borrowings.

The Group and the Company had no derivative financial instruments as of 31 December 2022 and 2021.

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 full and final agreed payments to third party debt holders.

Group	***Within 1 year***	***Between 1 and 2 years***	***Between 2 to 5 years***	***After 5 years***	***Total***
Year ended 31 December 2022	**US$**	**US$**	**US$**	**US$**	**US$**
Interest-bearing loans and borrowings					
- current	922,838	-	-	-	922,838
Trade and other payables	1,003,818	-	-	-	1,003,818
	1,926,656	**-**	**-**	**-**	**1,926,656**

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**	**-**	**8,747,519**

Company	***Within 1 year***	***Between 1 and 2 years***	***Between 2 to 5 years***	***After 5 years***	***Total***
Year ended 31 December 2022	**US$**	**US$**	**US$**	**US$**	**US$**
Interest-bearing loans and borrowings					
- current	922,838	-	-	-	922,838
Trade and other payables	785,058	-	-	-	785,058
	1,707,896	**-**	**-**	**-**	**1,707,896**
Year ended 31 December 2021					
Interest-bearing loans and borrowings					
- current	3,064,558	2,232,041	-	-	5,296,600
Trade and other payables	498,656	-	-	-	498,656
	3,563,214	**2,232,041**	**0**	**0**	**5,795,256**

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

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

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.

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 2022 and 2021. 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. The carrying amount of the Group's financial assets is stated at their 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 plus recognition in principle of agreed Sale terms for PetroNeft's equity interest in WorldAce Investment Limited to Pavel Tetyakov. The carrying value of the loans to WorldAce in the Group and Company is US$Nil, which approximates to the fair value.

The carrying value of the loans to Russian BD Holdings B.V. in the Company is US$Nil million, given on 9 February 2022, both shareholders in Russian BD Holdings B.V., elected to treat financial assets loans receivable as equity through and increase in the share premium account of Russian BD Holdings B.V.

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 2022 and 2021, 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 2022 and 2021.

33. 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 loss was US$40,862,140 (2021: profit of US$1,389,670).

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

	2022 US$	2021 US$
Land and buildings		
Within one year	2,722	2,722
	2,722	**2,722**

There were no capital commitments as of 31 December 2022 or 31 December 2021.

35. 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 2022 and 2021.

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 2022 and 2021 is shown below.

Transactions with Russian BD Holdings B.V.

	2022 US$	2021 US$
At 1 January	9,122,462	8,195,983
Advanced during the year	43,489	400,812
Transactions during the year	204,006	127,000
Interest accrued in the year	49,515	711,058
Payments for services made during the year	(14,502)	(13,972)
Loss Allowance (Note 24)	(289,939)	(298,239)
Transfer to Investment in RBD Subsidiary (Note 21)	(9,157,055)	-
Translation adjustment	42,024	-
At 31 December	**-**	**9,122,642**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	-	8,543,688
Trade and other receivables (Note 24)	-	578,954
	-	**9,122,642**

Notes to the Financial Statements

For the year ended 31 December 2022

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

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

Group	**2022 US$**	**2021 US$**
At 1 January	-	4,569,000
Advanced during the year	43,489	400,812
Transactions during the year	204,006	127,000
Interest accrued in the year	49,515	711,058
Payments for services made during the year	(14,502)	(13,972)
Share of joint venture's translation adjustment	-	(152,350)
Consolidation Elimination	(282,508)	(5,641,548)
Translation adjustment	-	-
At 31 December	**-**	**-**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	-	-
Trade and other receivables (Note 24)	-	-
Loss Allowance	-	-
	-	**-**

Transactions with Granite construction

	2022 US$	**2021 US$**
At 1 January	17,557	54,374
Loan repaid in the year	-	(26,990)
Loss Allowance	(45,756)	-
Translation adjustment	28,199	(9,827)
At 31 December (Note 24)	**-**	**17,557**

35. Related party disclosures (continued)

Transactions with joint venture partners.
PetroNeft had the following transactions with its joint venture partners in 2022 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	2022 US$	2021 US$
At 1 January	66,697,829	64,830,041
Advanced during the year	159,749	160,879
Transactions during the year	655,660	406,577
Interest accrued in the year	3,589,220	2,780,253
Payments for services made during the year	(730,181)	(1,479,921)
Loss Allowance	(1,006,520)	-
Less Share of WorldAce Investment loss	(49,983,330)	(45,041,703)
Less Impairment of Financial Asset	(19,382,427)	-
At 31 December	**-**	**21,656,126**
Balance at 31 December comprised of:		
Loans receivable (Note 22)	72,475,258	68,886,038
Less Loss Allowance (Note 22)	(3,109,501)	(3,109,501)
	69,365,757	65,776,537
Less Share of WorldAce Investment loss	(49,983,330)	(45,041,703)
Less Impairment of Financial Asset	(19,382,427)	-
	-	20,734,834
Trade and other receivables (Note 24)	-	921,292
	-	**21,656,126**

Group	2022 US$	2021 US$
At 1 January	20,960,407	24,397,906
Advanced during the year	-	321,455
Transactions during the year	2,068,193	1,336,106
Interest accrued in the year	3,589,220	2,780,253
Payments for services made during the year	(1,871,231)	(2,388,119)
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	(4,941,631)	(5,267,185)
Impairment of Financial Asset	(19,382,427)	-
Loss allowance	(1,125,138)	-
Transfer to Liabilities held for Sale (Note 31)	754,102	-
Translation adjustment	(51,495)	(10,342)
At 31 December	**-**	**20,960,407**

35. Related party disclosure (continued)

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

Balance at 31 December comprised of:		
Loans receivable (Note 22)	19,382,427	20,734,834
Impairment of Financial Asset	(19,382,427)	-
Trade and other receivables (Note 24)	-	938,033
Trade and other payables (Note 31)	(754,102)	(712,455)
Transfer of Liabilities held for Sale	754,102	-
	-	**24,960,407**

Group 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 across services provided to the holding Company, PetroNeft Resources plc, the joint venture Company WorldAce Investment Limited, and the subsidiary Company Russian BD Holdings B.V.

Renumeration of key management	2022 US$	2021 US$
Compensation of key management	1,258,155	1,024,154
Contributions to defined contribution pension plan	77,632	52,404
Consulting fees (Tsarina Development Limited-Michael Power)	169,936	177,409
At 31 December	**1,505,723**	**1,253,967**

The following amounts were owed by PetroNeft Group to existing key management, former management as at 31st December 2022 and 2021

Renumeration of key management	2022 US$	2021 US$
Renumeration, fees and expenses due to Directors who were in office during the year	817,943	172,926
Renumeration due to other key management	248,506	36,906
Consulting fees (Tsarina Development Limited- Michael Power)	30,561	13,744
Consulting fees (HGR Consulting- former CFO Paul Dowling)	-	2,090
At 31 December	**1,097,010**	**225,666**

During 2022, no new PetroNeft shares were issued to related parties. 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 2022 no amount of monies owing to Directors and Senior Management was reclassified to Convertible debt program, as there was no Convertible debt program. 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 could 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, from a possible total US$658,802 a sum equal to US$361,856 of convertible debt was converted into ordinary shares of the Company through the issuance of 13,032,277 shares. The remaining 4 holders of Convertible debt, who did not exercise their conversions rights during 2021, did not exercise their rights up to the 2nd anniversary of the option period post issuance of the 2021 Convertible loan program.

35. Related party disclosures (*continued*)

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 and carries an interest of US$ LIBOR plus 9%. The loan facility, as revised in quantum and cancellation of security charge held, as per Note 30.1 above, will be repaid out of the sale proceeds of Licence 67, through the sale of Lineynoye LLC to Pavel Tetyakov.

The following is the history of this transaction in the reporting periods:

Company	**Petrogrand AB US$**
Loans	
At 1 January 2021 (Note 30)	**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 30)	**2,271,495**
Interest accrued in the year	248,642
Unwinding prior year loan modification	221,939
Loan interest repaid in the year	(248,055)
At 31 December 2022 (Note 30)	**2,494,021**

Transactions with Belgrave Naftogas B.V.

Belgrave Naftogas B.V. is a related party by virtue of Alastair McBain, who resigned as non-executive Chairman PetroNeft on 21 October 2022, and former beneficial owner of 14.46% equity in PetroNeft. Mr. McBain initially was 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 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	**2022 US$**	**2021 US$**
At 1 January	1,809,140	8,580,601
Interest accrued in the year	10,485	149,885
Belgrave loan reassigned to PetroNeft	-	(6,921,346)
Transferred to equity in Russian BD Holding B.V. (Note 30)	(1,819,627)	

At 31 December	**-**	**1,809,140**

35. Related party disclosures (continued)

Group & Company- Loan to fund 40% acquisition in L67	**2022 US$**	**2021 US$**
At 1 January	914,395	-
Advanced during the year	-	1,700,000
Conversion to ordinary shares PetroNeft	-	(850,000)
Interest accrued in year	90,391	64,395
At 31 December	**1,004,786**	**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. As of 31 December 2022, 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 2022 (US$)**	**Relationship at time of transaction**
Natlata Partners LLP.	196,000	62,417	258,417	Ultimate beneficial owner is Maxim Korobov, former PetroNeft director
ADM FZE	140,000	45,518	185,518	Ultimate beneficial owner is Alastair McBain, former PetroNeft director and chairman
Daria Shaftelskaya	84,000	26,530	110,530	Substantial shareholder of PetroNeft and current director.
David Sturt	17,500	5,679	23,179	PetroNeft director, executive Chairman and shareholder

35. 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 may be 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 except David Golder, former Chairman PetroNeft and Karl Johnson, previous vice president of Operations had elected to convert within the 2-year period from the anniversary of the loan. As of 31 December 2022, 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$)	Amount due 31 December 2022 (US$)	Relationship at time of transaction
Natlata Partners LLP.	137,500	22,452		159,952	Ultimate beneficial owner is Maxim Korobov, former PetroNeft director
ADM FZE	137,455	22,889		160,344	Ultimate beneficial owner is Alastair McBain, former PetroNeft director and chairman
David Sturt	75,120	12,953		88,073	PetroNeft director, executive Chairman and shareholder
Pavel Tetyakov	29,552	5,094		34,646	PetroNeft Chief executive officer and shareholder
Karl Johnson	150,000	23,863	-	173,863	PetroNeft's former vice president of operations
Alken Kuanbay	15,946	2,749		18,695	PetroNeft finance director
David Golder	26,328	3,553	-	29,881	PetroNeft's former Chairman

36. Share-based payment

Share options.

The expense recognised for employee services during the year is US$NIL (2021: US$NIL). The Group currently does not have a share-based payment scheme in operation, post expiration of the previous plan in 2019.

- At December 2022, share options remained outstanding in respect of options exercisable on the 2019 Convertible loan principal sums outstanding, exercisable at £0.06stg per share and

- In respect of the 4 participants in the 2021 Loan Convert who did not exercise during year 1 of the grant at £0.02stg, or during year 2 of the grant at £0.025stg per share. This option expired as of 12 March 2023.

Share Options outstanding	2022 US$	2021 US$
In Issue.	16,939,795	17,442,269
	16,939,795	**17,442,269**

37. Accounting policies up to 31 December 2022

There was no change in accounting policies applicable to the comparative period ended 31 December 2021, as the Company and Group adheres to the latest accounting pronouncements and adhere to IFRS standards.

38. Important Events after the Balance Sheet Date

The onset of the Russian / Ukrainian conflict has led the global community to the imposition of substantial and penal sanctions on the Russian government and its officials. The sanctions led to prohibitions on doing business in any meaningful commercial way in Russia.

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 from within Russia. Given the evolving nature and severity of the sanctions, both directors and senior management are unable to secure sanction compliant funding for rollout and development of PetroNeft's Russian Assets. On 25 November 2022, PetroNeft announced the Company would undertake a strategic review of all options available to it. On 12 October 2023, at an Extraordinary General Meeting of PetroNeft, 88% of the voted shareholders passed a special resolution authorising the Board to dispose of the Company's key assets to Pavel Tetyakov. Previously on 14 June 2023, PetroNeft announced it had agreed sale terms for the disposal of its 100% interest in Lineynoye to Pavel Tetyakov, and again on 1 August 2023, it had agreed sale terms for the disposal of Granite Construction OOO and PetroNeft's equity interest in the Cypriot registered entity WorldAce Investment Limited to Pavel Tetyakov.

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, saw revenues at Stimul - T LLC reduced to zero. On 10 May 2023, Stimul T LLC files for voluntary bankruptcy administration in Russia.

On the 30 June 2023 and again on 5 September 2023, PetroNeft announced it had concluded indicative full and final debt settlement agreements with its debt holders. In all cases, there was achieved a 100% concession on interest payable, and loan principals would be reimbursed at 10% of the book value if unsecured, and 30% if secured. Final disbursements would be subject to any withholding tax in Russia, plus any adverse movements in the rouble/ dollar exchange rate.

On the 30 June 2023, the Company announced suspension of trading of its equities on both the A.I.M. and Euronext markets pending publication of its audited annual report for FY 2022. Dealings in the Company's ordinary shares was therefore suspended from 7.30 a.m. on Monday 3 July 2023 until such time as the Accounts have been duly published. Should the Accounts not be published by 31 December 2023, the Company's admission to AIM and Euronext Growth will be cancelled.

39. Contingent Liability

	2022	2021
	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 in the event the Company cannot adhere to the revised debt settlement terms, in full and final as announced on 30 June 2023 and described in Note 30.1 above.

40. Approval of financial statements

The financial statements were approved, and authorised for issue, by the Board of Directors on 22 November 2023.

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 30 November 2023.

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, where possible, 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 not appropriate given the size and stage of development of the Company. The Company does not currently have an Auditor. The Board feels given the difficulties imposed by adherence to global sanctions against Russia, the	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.	lack of Investor appetite for Russian based ventures, the lack of engagement by professional service providers, the restrictions placed on the ability to secure funding to support operations, that it at this stage cannot engage an auditor, and this matter is compounded as any engagement by an auditor would need funding ,such as not to impact the Auditor's independence criteria, and that funding is not available to the Board.	
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	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	The Company does not have a formal feedback mechanism with respect to stakeholder outside the Company. The board will keep this under	

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	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 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.	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 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.	consideration and put in place procedures when it is felt appropriate. External stakeholders can contact the Company via their key contact, or directly via the website, Company's NOMAD or at the AGM. Engagement with key suppliers became more complicated as they too had to operate under international Sanctions requirements.	
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	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	None	Annual Report

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	take (risk tolerance and risk appetite).	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 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	The Board has five directors, three 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.		

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	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 effectively. Directors must commit the time necessary to fulfil their roles.	The non-executive directors are 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. 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 David Sturt (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 David Sturt. The other member of the Committee is Anthony Sacca		

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		The Audit Committee consists of two non-executive Directors: Anthony Sacca, (Committee Chairman) and David Sturt. 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 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 David Sturt, Company Chairman and Pavel Tetyakov, the Company's Chief Executive Officer.		
6. Ensure that between them the directors have	The board must have an appropriate balance of sector, financial and	The Board of PetroNeft has been assembled to allow each director to	None	Directors Biographies www.PetroNeft.com/about/directors/

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
the necessary up-to-date experience, skills, and capabilities	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 mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	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 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 sought a fairness opinion from Carlsquare AB, on the consideration offered by Pavel Tetyakov for PetroNeft's equity interest in Lineynoye LLC. The Board has sought external advice on other matters 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.		

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
		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. Succession planning is a vital task for boards. No member of the board should become indispensable.	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.	
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	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/

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
	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.			
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • 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.	Refer to corporate governance statement for a full description of the corporate governance structures.	None	Corporate Governance Statement www.PetroNeft.com/investor-relations/rule26/
BUILD TRUST				
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and	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	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/

Corporate Governance Code *(continued)*

QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
other relevant stakeholders	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).			

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 as compounded by the Company's adherance to international sanctions imposed on Russia in light of the Russian/ Ukrainina conflict, having started on 24 February 2022. Based on PetroNeft Resources PLC's purpose to economically develop its hydrocarbon resources, the strategy set by the Board was intended to optimise the development of its resource base while 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 this period of immense uncertainty, particularly as it relates to Russian assets and the application of international sanctions and the decision taken by PetroNeft to exit all its Russian assets.

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 change 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 and the capacity of the Company to reinvent itself post disposal of its Russian assets.

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 impact of international sanctions on operations, 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

Company Income Statement

For the year ended 31 December 2022

	Note	2022 US$	2021 US$
Revenue		859,666	533,576
Cost of sales		-	-
Gross profit		**859,666**	**533,576**
Administrative expenses		(3,260,875)	(1,394,966)
Operating loss		**(2,401,209)**	**(861,390)**
Finance Income		3,680,578	3,491,312
Finance costs		(709,482)	(729,438)
Impairment of financial assets- investments in joint ventures and subsidiaries	21	(16,180,007)	-
Impairment of financial assets- loans at amortised cost.	13 & 22	(24,324,057)	(1,883,503)
Profit /(Loss) on equity investment	10	-	3,625,000
Profit/ (Loss) on equity settlement of financial liabilities		-	(1,753,874)
Profit/ (Loss) on modification of financial liabilities		-	354,194
Valuation of gains/ (losses) on fair value through profit and loss on debt instruments		(20,199)	20,197
Loss for the year for continuing operations before taxation		**(39,954,376)**	**2,262,498**
Taxation		(907,764)	(872,828)
Loss for the year		**(40,862,140)**	**1,389,670**

Company Statement of Comprehensive Income

		2022 US$	2021 US$
Loss for the year attributable to equity holders		**(40,862,140)**	**1,389,670**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity holders		**(40,862,140)**	**1,389,670**