

PetroNeft Resources plc

Half-year consolidated results for the six months ended to 30 June 2022

30 September 2022

PetroNeft Resources plc (further referred to as the “**Company**” and together with its subsidiaries and joint venture, the “**Group**”, **AIM: PTR**) an oil & gas exploration and production company, operating in the Tomsk Oblast, Russian Federation, and 90% owner and operator of Licence 67 and 50% owner and operator of Licence 61, publishes its unaudited financial and operating results for the half-year period ended 30 June 2022 (“**H1 2022** or the “**Period**”).

Year to date highlights

Operations

- Gross production stable at 1,942 bopd (H1 2021: 1,967 bopd) and a minor 1.35% increase quarter over quarter during the first 6 months of 2022, from Q1 2,061 bopd to Q2 2,089 bopd.

Financial performance of Licences

Licence 67 (100% basis)	Units	H1 2022	H1 2021	Q2 2022	Q2 2021
Revenue	\$'000	2,787	1,629	1,650	1,305
Cost of Sales	\$'000	(2,420)	(1,287)	(1,313)	(928)
Gross Profit	\$'000	367	342	337	342
Administrative Expenses	\$'000	(157)	(195)	(104)	(136)
Operating Profit / (Loss)	\$'000	210	147	233	206
<i>Average realized price</i>	<i>\$/bbl</i>	<i>64.7</i>	<i>44.5</i>	<i>67.9</i>	<i>47.7</i>
<i>Cash operating costs*</i>	<i>\$/bbl</i>	<i>10.9</i>	<i>8.5</i>	<i>9.6</i>	<i>5.7</i>

Licence 61 (100% basis)	Units	H1 2022	H1 2021	Q2 2022	Q2 2021
Revenue	\$'000	21,906	14,412	11,917	7,954
Cost of Sales	\$'000	(21,389)	(14,356)	(12,714)	(7,384)
Gross Profit	\$'000	517	56	(257)	570
Administrative Expenses	\$'000	(870)	(1,623)	(389)	(805)
Operating Profit / (Loss)	\$'000	(353)	(1,567)	(646)	(235)
<i>Average realized price</i>	<i>\$/bbl</i>	<i>76.2</i>	<i>44.3</i>	<i>76.2</i>	<i>47.3</i>
<i>Cash operating costs*</i>	<i>\$/bbl</i>	<i>22.1</i>	<i>15.6</i>	<i>21.0</i>	<i>14.0</i>

- Operating costs per barrel increased year on year mainly due to significant Russian Rouble appreciation against US\$ reporting currency.

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

Group Financial Results

- Consolidated revenue: US\$3.72 M (H1 2021: US\$2.5M), including Crude oil revenues of US\$2.78 M (H1 2021: US\$1,8 M) following the consolidation of Russian BD Holdings B.V. (Licence 67) in March 2021.
- Consolidated gross profit: US\$0.89M (H1 2021: US\$0.647M) and consistent strength in the gross margin ratio driven by continuous performance improvement in Russian BD Holdings BV's operations.
- Declining Consolidated loss for the period: US\$1.5 M (H1 2021: US\$2.2M),
- Consolidated cash balance: US\$0.33 M (31 December 2021: US\$0.91M).
- Gross Debt: US\$5.27M (31 December 2021 US\$6.61M)

Outlook

- Evaluating options to fully develop the Cheremshanskoye field in Licence 67.
- Resolving the Nord Imperial pipeline tariff impasse in a commercially attractive manner. Such a resolution is crucial to unlock the existing and upside potential of the Northern Hub (Sibkrayevskoye and, West Lineynoye fields and Emtorskaya prospect) in Licence 61.
- Continuing to monitor on the ground situation on a daily basis, including the effect on the Company's business of sanctions and or any other potential restrictions, and keeping shareholders updated as appropriate.

PetroNeft Resources plc

**Unaudited interim condensed
consolidated financial statements**

for the 6 months ended 30 June 2022

PetroNeft Resources plc

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Forward Looking Statements

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

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

PetroNeft Resources plc

Group Information

Directors

Alastair McBain (British citizen) (Non- Executive Chairman)
David Sturt (British citizen) (*Chief Executive Officer*)
Pavel Tetyakov (Russian citizen) (*Vice President Business Development*)
Anthony Sacca (Australian citizen) (*Independent Non-Executive Director*)
Daria Shaftelskaya (Russian citizen) (Non-Executive Director)
Eskil Jersing (British citizen), (*Independent Non - Executive Director*)

Registered Office and Business Address

20 Holles Street
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Ireland

Secretary

Michael Power FCA

Auditor

BDO
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Mercer Street Lower
Dublin 2
Ireland

Nominated Adviser and Euronext Growth Market Adviser

Davy
49 Dawson Street
Dublin 2
Ireland

PetroNeft Resources plc

Group Information (*continued*)

Broker

Davy

49 Dawson Street
Dublin 2
Ireland

Principal Bankers

KBC Bank Ireland

Sandwith Street
Dublin 2
Ireland

AIB Bank

1 Lower Baggot Street
Dublin 2
Ireland

Raiffeisen Bank

Novosibirsk branch
Tomsk
Russia

Solicitors

Peter O'Connor & Son

Wyse House
Adelphi Quay
Waterford
Ireland

Registered Number

408101

Registrar

Computershare

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Citywest Business Campus
Dublin 24, D24 AK82
Ireland

Chairman's Statement

Dear Shareholder,

We entered 2022 with a considerable degree of optimism due to robust operational progress across both our assets, helped also by the increase in the price of oil. That optimism proved short lived. However, the tragic events that unfolded through the first half of the year in Ukraine have increased risks, created volatility, and added uncertainty about the future. Despite the challenging times, we have to focus on continuing the Company's business, mindful of a fast-changing environment. We will continue to monitor the situation, including any possible effects of sanctions or any other multilateral or unilateral events which may impact our business. We will keep shareholders informed as appropriate.

Strategy

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

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

Operational Overview

The Company's reported share of production was 1,066 bopd H1 2022 (H1 2021 1,065 bopd), net to PetroNeft Resources plc. Production continued to build through the reporting period to a net production rate of approximately 1,242 bopd in June 2022.

Licence 67

The Cheremshanskoye field produced a total of 43,083 bbls (2021: 36,586 bbls) of gross oil, sold at the well head at competitive market rates of approximately \$64.7 bbl (2021: \$44.5/bbl) excluding transportation tariffs. The oil produced qualifies for an average of 15% reduction in the Mineral Extraction Tax.

We see significant potential at Licence 67 and in particular the Cheremshanskoye field, where production from the C-4 well is remaining stable. In February 2022 we installed an ESP pump down the well, and is currently producing just over 280 bopd, without any sign of appreciable decline. A full field development scenario represents a considerable low risk, high reward proposition through a combination of up to 53 horizontal and vertical wells.

Work has been progressing on construction of the North Cheremshanskoye well pad which will enable up to 24 wells to be drilled from the single surface well pad location. This work is anticipated to be completed during Q4 2022.

Licence 61

Gross production during the Period averaged 1,704 bopd, which represents a 3.4% decline year-to-year from the same period in 2021 (1,765 bopd).

This decline was mainly due to having to take five wells offline to conduct a well stimulation program in Q1 2022. The five well program conducted at Lineynoye were successful and in line with expectations. Production at Licence 61 post the well stimulation programs recovered strongly and by June gross daily production rate averaged 2,012 bopd, including over 500 bopd from two wells at Sibkrayevskoye.

Of notable concern at Licence 61, was the action by Nord Imperial LLC in August, to suspend transshipment of the oil produced from Licence 61. With no alternative viable shipping routes, the wells are currently shut in.

To protect the Company's position, and due to limited legacy progress, in our attempts to find a more equitable outcome on tariff charges, we launched a series of legal cases against Nord Imperial, the latest one including a submission to the Russian Anti-Monopoly Committee. Whilst we are continually working with all stakeholders to try and find an equitable solution, it is crucial that we achieve a more market-oriented fair and reasonable tariff for the long-term commercial viability of the licence.

PetroNeft Resources plc

Chairman's Statement (*continued*)

The Group achieved an average realized oil price for the Period of \$70.25/bbl (H1 2021: \$45.04/bbl.). The improved oil price and production levels led to much improved operating cash flows.

Licence 67 Gross Production	H1 2022	H1 2021	Q2 2022	Q2 2021
Total gross production	43,083	36,586	24,292	27,307
Gross bopd	238	202	267	300
Net to PetroNeft Resources plc 90% share bopd from Q1 2021 (2020: 50%)	214	182	240	270

Licence 61 Gross Production	H1 2022	H1 2021	Q2 2022	Q2 2021
Total gross production	308,413	319,511	168,264	162,936
Gross bopd	1,704	1,765	1,849	1,791
Net to PetroNeft Resources plc 50% share bopd	852	883	925	896

Business Development

Whilst the Company's core strategy is to focus on delivering value through our existing diverse and material portfolio of assets, it continues to evaluate new business opportunities both within and outside Russia.

Review of PetroNeft Resources plc Income Statement for the Period as reported on next page.

The loss for the period was US\$1.5M (H1 2021: US\$2.22M).

Administrative expenses remain in line with targets and prior periods noting the current interim financial information contains a full 6-month consolidation of financial results of Russian BD Holdings B.V (2021: 4-month period only).

The loss includes PetroNeft's 50% share of the losses on the joint ventures relating to Licences 61 of US\$2.0M (H1 2021: US\$2.5M) The results of Licence 67 are fully consolidated with PetroNeft's Group accounts, and in the 6-month period ending 30 June Russian BD Holdings B.V. reported a net profit of US\$0.1M, (2021: net loss of US\$0.3M)

Finance revenue of US\$1.47M (H1 2021: US\$1.45M) relates primarily to interest receivable on loans to the joint ventures.

Finance costs of US\$0.45M (H1 2021: US\$0.35M) relates primarily to interest payable on the Petrogrand loan and other convertible loans outstanding at reporting date.

Income tax expense is deferred tax accrued on interest receivable US\$0.37M (H1 2021: US\$0.44M)

The detailed Income Statement of Russian BD Holdings B.V is disclosed at note 14 to these condensed financial statements.

The detailed Income Statement and Balance Sheet of WorldAce Investments Limited is disclosed at note 15 to these condensed financial statements

PetroNeft Resources plc

Chairman's Statement (*continued*)

PetroNeft Key Financial Metrics	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022 US\$	6 months ended 30 June 2021 US\$	Year ended 31 December 2021 US\$
Continuing operations			
Revenue	3,727	2,498	5,815
Cost of sales	(2,837)	(1,851)	(4,409)
Gross profit	890	647	1,406
Administrative expenses	(1,022)	(653)	(1,431)
Impairment of exploration and evaluation assets	(0)	(2,507)	(2,901)
Operating loss	(131)	(2,514)	(2,926)
Share of joint venture's net loss – Russian BD Holdings B.V.	-	(126)	(126)
Share of joint venture's net loss – WorldAce Investment Ltd	(2,044)	(2,545)	(4,965)
Finance revenue	1,478	1,455	2,857
Finance costs	(452)	(343)	(804)
Fair value gain on financial derivatives	-	-	20
Unrealised gain on business combination	-	3,433	3,433
Profit / (Loss) on equity settlement of financial liabilities	-	(1,137)	(1,754)
Profit on modification of financial liabilities	-	-	354
Loss for the period for continuing operations before taxation	(1,150)	(1,778)	(3,910)
Income tax expense	(378)	(440)	(960)
Loss for the period	(1,529)	(2,215)	(4,872)

Summary

Despite the difficult geopolitical environment, through the support of all our stakeholders and dedication of our team in Tomsk, the Company has been able to largely continue operations in line with expectations through the reporting period.

The conflict in Ukraine, and the Nord Imperial litigation matter are serious matters of concern, however as a Company we look forward to the future where these matters are resolved, enabling the Company to deliver on its commitment to grow value for shareholders.

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

Alastair McBain

Non-Executive Chairman

PetroNeft Resources plc

Interim Condensed Consolidated Income Statement For the 6 months ended 30 June 2022

	Note	Unaudited		Audited
		6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
		US\$	US\$	US\$
<i>Continuing operations</i>				
Revenue	5	3,727,437	2,497,804	5,815,255
Cost of sales		(2,836,914)	(1,851,376)	(4,408,707)
Gross profit		890,523	646,428	1,406,548
Administrative expenses		(1,021,935)	(653,256)	(1,431,446)
Impairment of exploration and evaluation assets		-	(2,507,117)	(2,900,732)
Operating loss		(131,412)	(2,513,945)	(2,925,630)
Share of joint venture's net loss - WorldAce Investments Limited	14	(2,043,703)	(2,545,198)	(4,964,655)
Share of joint venture's net loss - Russian BD Holdings B.V.	15	-	(126,030)	(126,031)
Finance revenue	6	1,478,225	1,454,545	2,855,639
Finance costs	7	(452,088)	(343,010)	(803,558)
Fair value gain on financial derivatives		-	-	20,197
Unrealised gain on business combination		-	3,432,730	3,432,730
Profit /(loss) on equity settlement of financial liabilities		-	(1,137,257)	(1,753,874)
Profit on modification of financial liabilities		-	-	354,194
Loss for the period for continuing operations before taxation		(1,148,978)	(1,778,165)	(3,910,988)
Income tax expense	8	(378,152)	(439,834)	(960,076)
Loss for the period		(1,527,130)	(2,217,999)	(4,871,064)
Profit /(loss) for the period attributable to:				
Owners of the Parent		(1,537,891)	(2,213,062)	(4,867,482)
Non-Controlling Interest		10,761	(4,937)	(3,582)
		(1,527,130)	(2,217,999)	(4,871,064)
Loss per share attributable to ordinary equity holders of the Parent				
Basic and diluted - <i>US dollar cent</i>		(0.14)	(0.24)	(0.55)

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Interim Condensed Consolidated Statement of Other Comprehensive Income

For the 6 months ended 30 June 2022

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
	US\$	US\$	US\$
Loss for the year attributable to equity holders	(1,527,130)	(2,217,999)	(4,871,064)
Other comprehensive income:			
Items that will not be reclassified to profit and loss:	-	-	-
<i>Items that will or maybe reclassified to profit and loss</i>			
Currency translation adjustments - subsidiaries	4,348,298	596,189	(12,786)
Currency translation adjustments reclassified to profit and loss	-	4,026,539	4,026,539
Share of joint ventures' other comprehensive income - foreign exchange translation differences	13,979,280	675,954	(328,849)
	18,327,578	5,298,682	3,684,904
Other comprehensive income for the year net of tax	18,327,578	5,298,682	3,684,904
Total comprehensive loss for the period attributable to equity holder	16,800,448	3,080,683	(1,186,160)
Total Comprehensive Income attributable to:			
Owners of the Parent	16,324,572	3,026,002	(1,177,570)
Non-Controlling Interest	475,876	54,681	(8,590)
	16,800,448	3,080,683	(1,186,160)

PetroNeft Resources plc

Interim Condensed Consolidated Balance Sheet As at 30 June 2022

		<i>Unaudited</i>	<i>Audited</i>
		30 June 2022	31 December 2021
	<i>Note</i>	US\$	US\$
Assets			
Non-current Assets			
Oil and Gas Properties	9	7,364,416	5,006,667
Property, plant, and equipment	10	170,875	118,618
Exploration and Evaluation Assets	11	9,998,954	9,730,768
Assets under Construction	12	1,786,450	516,953
Intangible Assets	13	5,329,802	3,659,091
Financial assets - loans and receivables	16	34,141,213	20,734,834
		<u>58,791,710</u>	<u>39,766,931</u>
Current Assets			
Inventories	17	210,913	86,842
Trade and other receivables	18	1,392,824	1,126,054
Cash and cash equivalents	19	332,431	915,602
		<u>1,936,168</u>	<u>2,128,498</u>
Total Assets		<u>60,727,878</u>	<u>41,895,429</u>
Equity and Liabilities			
Capital and Reserves			
Called up share capital	20	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		(107,992,941)	(106,455,050)
Currency translation reserve		(17,998,712)	(35,861,175)
Other reserves		511,981	511,981
Equity attributable to equity holders of the Parent		<u>42,657,390</u>	<u>26,332,818</u>
Non-Controlling Interest	21	3,011,911	716,410
Total Equity		<u>45,669,301</u>	<u>27,049,228</u>
Non-current Liabilities			
Provisions		384,325	254,629
Interest-bearing loans and borrowings	22	1,736,091	3,477,078
Derivative financial liabilities		329,168	313,168
Deferred tax liability		6,450,500	6,072,348
		<u>8,900,084</u>	<u>10,117,223</u>
Current Liabilities			
Interest-bearing loans and borrowings	22	2,946,178	2,827,041
Trade and other payables	23	3,212,315	1,901,937
		<u>6,158,493</u>	<u>4,728,978</u>
Total Liabilities		<u>15,058,577</u>	<u>14,846,201</u>
Total Equity and Liabilities		<u>60,727,878</u>	<u>41,895,429</u>

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Interim Condensed Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 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 acquisition	-	-	-	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 profit 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	716,410	27,049,228
Loss for the period	-	-	-	-	(1,537,891)	(1,537,891)	10,761	(1,527,130)
Currency translation adjustments - subsidiaries	-	-	-	3,883,183	-	3,883,183	465,115	4,348,298
Convertible share option reserve	-	-	-	-	-	-	-	-
Share of joint venture's other comprehensive income	-	-	-	13,979,280	-	13,979,280	-	13,979,280
Total comprehensive loss for the period	-	-	-	17,862,463	(1,537,891)	16,324,572	475,876	16,800,448
New share capital subscribed	-	-	-	-	-	-	-	-
At 30 June 2022	13,661,466	147,679,056	7,308,521	(17,998,712)	(107,992,941)	42,657,390	3,011,911	45,669,301

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Interim Condensed Consolidated Cash Flow Statement

For the 6 months ended 30 June 2022

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022 US\$	6 months ended 30 June 2021 US\$	Year ended 31 December 2021 US\$
Operating activities			
Loss before taxation	(1,148,978)	(1,778,165)	(3,910,988)
Adjust to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation	59,964	35,633	167,690
Share of loss in joint ventures	2,043,703	2,671,228	5,090,686
Foreign Exchange Gains / (Losses)	(963,770)	7,213	(163,898)
Impairment of exploration and evaluation assets	-	2,507,117	2,900,732
Loss / (Profit) on equity settlement of financial liabilities	-	1,137,257	1,753,874
Profit on modification of financial liabilities	-	-	(354,194)
Unrealised gain on business combination		(3,432,730)	(3,432,730)
Finance revenue	6 (1,478,225)	(1,454,545)	(2,855,639)
Finance costs	7 452,088	343,010	803,358
Fair value gains on financial derivatives	-	-	(20,197)
Income tax expense	378,152	439,834	-
Working capital adjustments			
Decrease/ (Increase) in trade and other receivables	(266,770)	102,063	1,459,937
Decrease/(Increase) in inventories	(124,071)	(3,266)	39,804
Increase/(Decrease) in trade and other payables	1,440,074	(1,031,570)	(808,766)
Income tax paid	-	(42,526)	(87,248)
Net cash flows used in operating activities	392,167	(499,447)	582,421
Investing activities			
Acquisition of Subsidiary net of Cash Acquired	-	18,893	18,893
Purchase of Property, Plant & Equipment	(9,057)	(90,239)	(153,475)
Purchase of Exploration and evaluation assets	(1,882)	(101,671)	(730,901)
Purchase of assets under construction	(741,631)	(451,920)	(495,983)
Interest received	7,425	1,009	9,490
Net cash (used in)/received from investing activities	(745,145)	(623,928)	(1,351,976)
Financing activities			
Proceeds from the issue of Convertible debt option	-	2,245,000	2,245,000
Repayment of interest on loan facilities	(231,793)	(87,942)	(88,013)
Repayment of principal on loan facilities	-	-	(574,430)
Net cash received from financing activities	(231,793)	2,157,058	1,582,557
Net increase/(decrease) in cash and cash equivalents	(584,771)	1,033,683	813,002
Translation adjustment	1,600	251	1,572
Cash and cash equivalents at the beginning of the period	915,602	101,028	101,028
Cash and cash equivalents at the end of the period	20 332,431	1,134,962	915,602

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 29 September 2022.

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

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

2. Going Concern

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

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

The Group has put in place proactive steps to manage third party payables across all legal entities, including tax payables, cost saving measures where possible, and the Board and management have agreed to defer their remuneration fees.

Given the substantive rebound in oil prices, and Management demonstrating their capacity to maintain and increase production through efficient capital allocation programs, including the confirmation that Licence 67 will become a significant oil generating asset empowers both the Board and Management to roll out their strategic plan, that ultimately will realise the latent value potential of the Company's full asset base. Proving up reserves, boosting production, maintaining efficient programs on operating expenditure and capital spend, ultimately driving enhanced valuations, improved cashflows and future sustainability.

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

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

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

2. Going Concern (continued)

With respect to the ongoing conflict between Russia and Ukraine, the Group 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 operationally for the foreseeable future. The judgement is supported by:

- Strong reserve inventory and improvements in operational performance
- Existing infrastructure in place that can support production volumes up to 14,700 bopd
- Robust investment case
- the continued support of our Joint Venture and oil marketing partners
- Continuous support of our principal shareholders, as evidenced by their support for both debt issue and subsequent conversion.
- Continuous support of our lenders, both convertible and conventional debt
- Continued oil price resilience.
- Incorporation of Environmental, Social and Governance matters to the core of its operations.
- During the current interim period, agreements were reached to restructure debts, as agreed by all shareholders to treat debts owing by Lineynoye LLC to Russian BD Holdings B.V. and by Russia BD Holdings B.V. to both PetroNeft Resources plc and Belgrave Naftogas B.V., as equity contributions through their respective share premium accounts, thereby eliminating any near-term financial overhang that may arise due to demands for interest or principal payments from the respective contracting parties.

For these reasons, they continue to adopt the going concern basis in preparing this interim report.

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

3. Accounting Policies

3.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021 which are available on the Group's website – www.petroneft.com.

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

3.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

4. Segment information

At present the Group has an operating segment, which is oil exploration and production through its joint venture undertakings and subsidiaries.

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

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

Geographical segments

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

5. Revenue

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
	US\$	US\$	US\$
Revenue			
Crude Oil Sales	2,786,562	1,601,191	4,612,435
Management Services	311,274	338,106	433,409
Construction Services	629,601	558,507	769,411
	3,727,437	2,497,804	5,815,255

6. Finance revenue

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
	US\$	US\$	US\$
Bank interest receivable	7,425	1,009	9,490
Interest receivable on loans to Joint Ventures	1,470,800	1,453,536	2,846,149
	1,478,225	1,454,545	2,855,639

7. Finance costs

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
	US\$	US\$	US\$
Interest on loans	452,088	343,010	800,698
Unwinding of discount on decommissioning provision	-	-	2,660
	452,088	343,010	803,358

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

8 Income tax

	<i>Unaudited</i>		<i>Audited</i>
	6 months ended 30 June 2022	6 months ended 30 June 2021	Year ended 31 December 2021
	US\$	US\$	US\$
Current income tax			
Current income tax charge	0	42,526	87,522
Total current income tax	0	42,526	87,522
Deferred tax			
Relating to origination and reversal of temporary differences	378,152	397,308	872,554
Total deferred tax	378,152	397,308	872,554
Income tax expense reported in the Consolidated Income Statement	378,152	439,834	960,076

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

9. Oil and Gas Properties

Group	Wells US\$	Equipment and facilities US\$	Total US\$
Cost			
At 1 January 2021	-	-	-
Transferred from exploration and evaluation assets	3,960,847	101,131	4,061,978
Transferred from assets under construction	-	1,139,456	1,139,456
Translation adjustments	(72,092)	(58,571)	(130,663)
At 1 January 2022	3,888,755	1,182,016	5,070,771
Transferred from assets under construction	-	57,885	57,885
Translation adjustments	1,836,110	553,644	2,389,754
At 30 June 2022	5,724,865	1,793,545	7,518,410
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 period	25,064	16,237	41,301
Translation adjustment	36,282	12,307	48,589
At 30 June 2022	114,680	39,314	153,994
Net book values			
At 30 June 2022	5,610,185	1,754,231	7,364,416
At 31 December 2021	3,835,421	1,171,246	5,006,667

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

10. Property, Plant and Equipment

Group	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
Disposals	-	-	-	-
Translation adjustments	(8,094)	116	-	(7,978)
At 1 January 2022	709,474	11,441	32,065	752,980
Additions	-	9,057	-	9,057
Disposals	-	-	-	-
Translation adjustments	313,036	7,764	-	320,800
At 30 June 2022	1,022,510	28,262	32,065	1,082,837
Depreciation				
At 1 January 2021	570,737	-	32,065	602,802
Charge for the period	35,928	1,598	-	37,526
Disposals	-	-	-	-
Translation adjustment	(5,918)	(47)	-	(5,965)
At 1 January 2022	600,747	1,551	32,065	634,363
Charge for the period	17,200	1,463	-	18,663
Translation adjustment	257,637	1,300	-	258,937
At 30 June 2022	875,584	4,314	32,065	911,963
Net book values				
At 30 June 2022	146,927	23,948	-	170,875
At 31 December 2021	108,727	9,890	-	118,618

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

11. Exploration and evaluation assets

Group	Exploration and Evaluation Assets US\$
Cost	
At 1 January 2021	-
Acquired through Business combination	20,824,936
Impairment of exploration and evaluation 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 and 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
Additions	1,882
Transferred to assets under construction	(7,904)
Translation adjustment	274,208
At 30 June 2022	9,998,954
Net book values	
At 30 June 2022	9,998,954
At 31 December 2021	9,730,768

12. Assets under construction

Group	Assets under Construction US\$
Cost	
At 1 January 2021	-
Transferred from exploration and evaluation assets	1,135,999
Transferred to equipment and facilities	(1,139,456)
Additions	495,983
Translation adjustment	24,427
At 1 January 2022	516,953
Transferred to equipment and facilities	(47,885)
Additions	741,631
Translation adjustment	575,751
At 30 June 2022	1,786,450
Net book values	
At 30 June 2022	1,786,450
At 31 December 2021	516,953

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

13 Intangible Assets

Group

Cost

At 1 January 2021	-
Transfer from exploration and evaluation assets	3,809,804
Translation adjustment	(66,710)
At 1 January 2022	3,743,094
Transfer from exploration and evaluation assets	-
Translation adjustment	1,767,334
At 30 June 2022	5,510,428

Depreciation

At 1 January 2021	-
Charge for the period	64,698
Translation adjustment	19,305
At 1 January 2022	84,003
Charge for the period	23,000
Translation adjustment	73,623
At 30 June 2022	180,626

Net book values

At 30 June 2022	5,329,802
At 31 December 2021	3,659,091

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

14. Contribution to PetroNeft's Consolidated Income Statement (Russian BD Holdings B.V.)

	Unaudited 6 months ended 30 June 2021 US\$	Unaudited 6 months ended 30 June 2021 US\$	Audited Year ended 31 December 2021 US\$
Revenue	2,786,562	1,629,171	4,640,415
Cost of sales	<u>(2,420,548)</u>	<u>(1,287,041)</u>	<u>(3,482,152)</u>
Gross profit	366,014	342,130	1,158,263
Administrative expenses	<u>(155,935)</u>	<u>(195,164)</u>	<u>(513,406)</u>
Operating loss	210,079	146,966	644,857
Finance revenue	5,897	906	9,323
Finance costs	<u>(108,361)</u>	<u>(425,902)</u>	<u>(864,129)</u>
Loss for the period for continuing operations before taxation	107,615	(278,030)	(209,948)
Taxation	-	(23,406)	(77,936)
Loss for the period	<u>107,615</u>	<u>(301,436)</u>	<u>(287,884)</u>
Loss for the period	107,615	(301,436)	(287,884)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustments	<u>4,651,150</u>	<u>569,870</u>	<u>(102,716)</u>
Total comprehensive loss for the period	<u>4,758,765</u>	<u>268,434</u>	<u>(390,600)</u>

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

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

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

	Share of net assets US\$
At 1 January 2021	-
Share of net loss of joint venture for the year	(4,964,654)
Translation adjustment	(302,530)
Credited against loans receivable from WorldAce Investments Limited	<u>5,267,184</u>
At 1 January 2022	-
Share of net loss of joint venture for the period	(2,043,703)
Translation adjustment	13,979,280
Credited against loans receivable from WorldAce Investments Limited	<u>11,935,577</u>
At 30 June 2022	<u>-</u>

The balance sheet position of WorldAce Investments Limited shows net liabilities of US\$75,577,058 following a loss in the period of US\$4,087,415 together with a positive currency translation adjustment of US\$27,958,569

PetroNeft's 50% share is included above and results in a negative carrying value. 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\$33,106,124 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 16).

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

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

	WorldAce Group		Audited
	Unaudited		
	6 months ended 30 June 2022	6 months ended 30 June 2021	
	US\$	US\$	US\$
<i>Continuing operations</i>			
Revenue	21,905,961	14,411,943	29,912,441
Cost of sales	(21,388,982)	(14,355,890)	(28,649,622)
Gross profit	516,979	56,053	1,262,819
Administrative expenses	(870,664)	(1,623,401)	(4,144,337)
Operating loss	(353,685)	(1,567,348)	(2,881,518)
Finance revenue	45,975	38,019	90,803
Finance costs	(3,779,705)	(3,561,066)	(7,138,593)
Loss for the period for continuing operations before taxation	(4,087,415)	(5,090,395)	(9,929,308)
Income tax expense	-	-	-
Loss for the period	(4,087,415)	(5,090,395)	(9,929,308)
Loss for the period	(4,087,415)	(5,090,395)	(9,929,308)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustments	27,958,569	1,299,269	(605,059)
Total comprehensive loss for the period	23,871,154	(3,791,126)	(10,534,367)

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

The currency translation adjustment results from the revaluation of the Russian Rouble during the period. All Russian Rouble carrying values in Stimul-T, the 100% subsidiary of WorldAce are converted to US Dollars at each period end. The resulting gain or loss is recognised through other comprehensive income and transferred to the currency translation reserve. The Russian Rouble significantly strengthened against the US Dollar during the period from RUB75.31:US\$1 at 31 December 2021 to RUB51.15:US\$1 as at 30 June 2022.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

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

	WorldAce Group	
	<u>Unaudited</u>	<u>Audited</u>
	30 June 2022	31 December 2021
	US\$	US\$
Non-current Assets		
Oil and gas properties	89,760,547	61,593,374
Property, plant, and equipment	1,319,776	851,000
Exploration and evaluation assets	-	-
Assets under construction	2,098,461	1,565,336
Intangible Assets	2,622,308	1,786,837
	<u>95,801,092</u>	<u>65,796,546</u>
Current Assets		
Inventories	5,296,156	3,088,533
Trade and other receivables	7,687,412	2,058,182
Cash and cash equivalents	374,860	185,274
	<u>13,358,428</u>	<u>5,331,989</u>
Total Assets	<u>109,159,519</u>	<u>71,128,535</u>
Non-current Liabilities		
Provisions	3,058,752	1,954,593
Obligations under finance lease	-	16,009
Interest-bearing loans and borrowings	160,986,166	157,285,969
	<u>164,044,918</u>	<u>159,256,571</u>
Current Liabilities		
Interest-bearing loans and borrowings	-	-
Obligations under finance lease	43,242	43,242
Trade and other payables	20,385,629	11,014,189
Current tax liabilities	262,788	262,745
	<u>20,691,659</u>	<u>11,320,176</u>
Total Liabilities	<u>184,736,577</u>	<u>170,576,747</u>
Net Liabilities	<u>(75,577,058)</u>	<u>(99,448,212)</u>

16. Financial assets - loans and receivables

	<u>Unaudited</u>	<u>Audited</u>
	30 June 2022	31 December 2021
	US\$	US\$
Loans to WorldAce Investments Limited	70,356,838	68,886,038
Loss allowance	(3,109,501)	(3,109,501)
Less: share of WorldAce Investments Limited loss	(33,106,124)	(45,041,703)
	<u>34,141,213</u>	<u>20,734,834</u>

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

17. Inventories	<u>Unaudited</u>	<u>Audited</u>
	30 June 2022	31 December 2021
	US\$	US\$
Materials	210,913	86,842
	<u>210,913</u>	<u>86,842</u>

18. Trade and other receivables	<u>Unaudited</u>	<u>Audited</u>
	30 June 2022	31 December 2021
	US\$	US\$
Receivable from joint venture	1,054,682	938,033
Trade Receivables	55,264	-
Prepayments	100,813	61,467
Advances to contractors	42,837	37,694
Other receivables	139,228	88,860
	<u>1,392,824</u>	<u>1,126,054</u>

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

19. Cash and Cash Equivalents	<u>Unaudited</u>	<u>Audited</u>
	30 June 2022	31 December 2021
	US\$	US\$
Cash at bank and in hand	332,431	915,602
	<u>332,431</u>	<u>915,602</u>

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

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

20. Share Capital - Group and Company

	<i>Unaudited</i>	<i>Audited</i>
	30 June 2022	31 December 2021
	€	€
Authorised Share Capital		
1,250,000,000(2021: 1,250,000,000) Ordinary Shares of €0.01 each	12,500,000	12,500,000
		Called up share capital
	Number of	US\$
Allotted, called up and fully paid equity	Ordinary Shares	
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 period	-	-
At 30 June 2022	1,071,792,613	13,661,466

21. Non-Controlling Interest

	<i>Unaudited</i>	<i>Audited</i>
	30 June 2022	31 December 2021
	US\$	US\$
At beginning of period	716,410	725,000
Share of RBD Profit /(loss)	10,761	(3,582)
Share of RBD Currency Exchange Differences	465,115	(5,008)
Conversion of loan to equity	1,819,625	-
	3,011,911	716,410

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

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

22. Loans and Borrowings

Group	Effective interest rate %	Contractual maturity date	Unaudited	Audited
			30 June 2022 US\$	31 December 2021 US\$
Interest-bearing				
<i>Current liabilities</i>				
Petrogrand AB	11.56%	15-Dec-22	2,370,979	2,271,495
Natlata Partners Limited	10.14%	31-Dec-22	247,377	238,911
ADM Consulting	10.16%	31-Dec-22	177,633	171,584
Daria Shaftelskaya	10.13%	31-Dec-22	105,798	102,170
David Sturt	10.14%	31-Dec-22	22,192	21,437
Others	10.14%	31-Dec-22	22,199	21,444
Total current liabilities			2,946,178	2,827,041
<i>Non-Current liabilities</i>				
Belgrave Naftogas B.V.	6.05%	31-Dec-25	-	1,809,140
Belgrave Naftogas B.V.	8.10%	05-Mar-24	954,543	914,396
Natlata Partners Limited	8.10%	11-Mar-23	152,925	147,079
ADM Consulting	8.10%	11-Mar-23	153,319	147,475
David Sturt	8.10%	11-Mar-23	84,234	81,040
Karl Johnson	8.10%	11-Mar-23	46,333	39,955
Pavel Tetyakov	8.10%	11-Mar-23	33,137	31,880
Others	8.10%	11-Mar-23	311,600	306,113
			1,736,091	3,477,078
Derivative financial liabilities	8.10%	11-Mar-23	329,168	313,168
Total noncurrent liabilities			2,065,259	3,790,246
Total loans and borrowings			5,011,437	6,617,287
Contractual undiscounted liability			5,011,437	6,617,287

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

22. Loans and borrowings (continued)

Changes in financial liabilities arising from financing activities

	<i>Unaudited</i>	<i>Audited</i>
		Year ended
		31
		December
	30 June 2022	2021
	US\$	US\$
At 1 January	6,617,287	4,151,391
2021 Convertible debt -13 Lenders	-	2,903,802
Convertible debt- Belgrave Naftogas B.V.	-	1,700,000
Consolidate Loan Belgrave Naftogas B.V.-Licence 67	-	1,737,880
Accrued Interest	452,088	800,698
	<u>7,069,375</u>	<u>11,293,771</u>
<u>Equity Conversion:</u>		
a) 2019 Convertible debt- 5 lenders	-	(845,000)
b) 2021 Convertible debt - 5 lenders	-	(1,856,748)
c) Belgrave Naftogas B.V.	-	(850,000)
Conversion of loan to equity -Belgrave Naftogas B.V.	(1,819,625)	
Interest repayment	(231,793)	(88,013)
Principal repayment	-	(574,430)
Profit on modification of financial liabilities	-	(354,194)
Profit on settlement of financial liabilities		(19,232)
Reserve accounting for changes in financial liabilities	-	(83,182)
Translation Reserve	(6,520)	(5,685)
At period end	<u><u>5,011,437</u></u>	<u><u>6,617,287</u></u>

Loan facilities.

The loan owing by Russian BD Holdings B.V. to Belgrave Naftogas B.V. and acquired in 2021 on first time consolidation was converted into equity of Russian BD Holdings B.V, as part of an agreed capital restructure by all shareholders, including PetroNeft Resources plc.

PetroNeft Resources plc secured an extension of the Petrogrand AB loan, with a renewed maturity date of 31 December 2022. The security on the loan, attaches to any of the assets of PetroNeft Resources plc. An asset being defined as any present or future assets, revenues, and rights of every description. The security is for any obligation for the repayment of monies owed to Petrogrand AB, be it present, or future, actual or contingent.

PetroNeft Resources plc

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the 6 months ended 30 June 2022

23. Trade and other payables

	<i>Unaudited</i>	<i>Audited</i>
	30 June 2022	31 December 2021
	US\$	US\$
Trade payables	605,660	329,956
Trade payables to jointly controlled entity	1,090,418	712,455
Director expenses	1,325	6,200
Corporation tax	55,232	55,232
Other taxes and social welfare costs	919,913	539,643
Accruals and other payables	539,767	258,451
	<u>3,212,315</u>	<u>1,901,937</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value. Trade and other payables are non-interest-bearing and are normally settled on 60-day terms. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

24. Contingent Liability

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

In consideration for the loan advances and extending out the repayment period, Petrogrand AB is entitled to receive additional fees in the sum of US\$2.5 M 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 a floating charge over the assets of PetroNeft Resources plc.

26. Important Events after the Balance Sheet Date

As announced by the Company, Nord Imperial LLC suspended all transshipments 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 transshipment tariff rates dating back to 2015. The management of Stimul T LLC deem the transshipment rates as excessive and are highly indicative of abusive market practises by Nord Imperial LLC. The suspension, given no viable alternative transshipment route, see Oil revenues at Stimul - T LLC reduced to zero and no near-term alternative Income stream. The Company is collaborating with all stakeholders to seek an amicable settlement to the dispute but crucially one which reflects normal market tariffs which would make further investment in Licence 61 more viable.

27. Board approval

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