2021

PETROLIA SE

ANNUAL REPORT 21

PETROLIA

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RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF PETROLIA SE FOR THE FINANCIAL STATEMENTS IN THE ANNUAL REPORT FOR THE YEAR ENDING 31 DECEMBER 2021

In accordance with Article 9, sections (3) (c) and (7) of the Cyprus Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law"), we, the members of the Board of Directors and the other responsible persons for the consolidated and separate financial statements of Petrolia SE for the year ended 31 December 2021, confirm that, to the best of our knowledge:

(a) the annual consolidated and separate financial statements that are presented on pages 12 to 75:

- (i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4), of the Law; and
- (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of Petrolia SE and the undertakings included in the consolidated accounts taken as a whole; and

(b) the Management Report gives a fair review of the developments and performance of the business and the financial position of Petrolia SE and the undertakings included in the consolidated accounts taken as a whole together with a description of the principal risks and uncertainties that they are facing.

Limassol, 28th of April 2022

Berge Gerdt Larsen
Chairman of the Board

Polycarpos Protopapas
Board member
Managing director

Sjur Storaas
Board member

George Hadjineophytou
Board member

Sølve Nilsen
Finance manager

MANAGEMENT

MANAGEMENT REPORT

INTRODUCTION AND STRATEGY

Petrolia SE Group, which comprises Petrolia SE ("Petrolia" or the "Company") and its subsidiaries (together referred to as the "Group") has two business divisions: Energy and Energy Service. Petrolia SE is listed on the Oslo Stock Exchange under the ticker code PSE.

Energy division

The Energy division focuses primarily on exploration for and production of oil and gas, and recently on green energy like Hydrogen and Ammonia production.

The Petrolia Group is the largest shareholder (49.9%) of Petrolia NOCO AS, an independent E&P company on the Norwegian Continental Shelf (NCS). The company is registered on NOTC (PNO). PNO has various licence shares, has made one commercial discovery, has some small production and is also qualified as a Licence Operator.

Energy service division

The Energy Service division has from 2007 primarily focused on well services for oil and gas drilling, mainly through the global Independent Oil Tools AS Group (IOT). Well Services are also provided for thermo and salt drilling.

The Group owns two landrigs, of which one is operational, and drills and performs work-over on land wells as a drilling contractor with these rigs and hired in rigs whenever drilling contracts are secured.

Through CO2 Management AS, the division is involved with managing CO2 reduction projects as well Carbon Capture, Utilization and Storage (CCUS) activities.
The Subsurface competence of PNO may be used for CO2 Storage Wells on NCS.

ANALYSIS OF THE FINANCIAL STATEMENTS

Petrolia SE presents its financial information in USD.

Financial information, Group

Total revenue amounted to USD 51.0 million for the fiscal year 2021 (2020: USD 43.6 million), mainly related to the Energy Service segment.

Operating profit for the Group in 2021 amounted to USD 4.8 million, after deduction of depreciation of USD 7.6 million and impairment of fixed assets of USD 0.9 million. Operating profit for the Group in 2020 amounted to USD 1.5 million, after deduction of depreciation of USD 7.9 million and impairment of fixed assets of USD 0.5 million.

Loss after tax for the Group amounted to USD 1.2 million in 2021 (2020: Loss of USD 210 thousand).

As at 31 December 2021, the total assets of the Group amounted to USD 69.3 million. Total assets of the Group amounted to USD 71.4 million as at 31 December 2020.

Total equity of the Group amounted to USD 39.3 million as at 31 December 2021, including a minority interest of USD 1.9 million. Total equity of the Group amounted to USD 40.9 million as at 31 December 2020, including a minority interest of USD 1.5 million. As at 31 December 2021, the total number of shares outstanding in Petrolia SE was 59,133,786 with par value USD 0.10 each.

Cash flows from operations was USD 10.3 million in 2021 (2020: USD 11.6 million). Cash flows from investments was USD -5.7 million in 2021 (2020: USD 48 thousand). Cash flows from financing activities in 2021 was USD -4.6 million (2020: USD -3.3 million) mainly related to interest on bond loan and lease interests and installments.

Total cash position at 31 December 2021 was USD 16.1 million (2020: USD 16.2 million).

Financial information, Parent

Total revenues amounting to USD 134 thousand for 2021 (2020: USD 152 thousand), related mainly to management (USD 9 thousand) and consultancy (USD 125 thousand) fees for the rendering of services to the Group by the branch.

Operating loss for the parent company amounted to USD 1.3 million (2020: USD 1.2 million).

Profit after tax for the parent amounted to USD 2.1 million (2020: profit of USD 10.7 million).

As at 31 December 2021, the total assets of the Parent amounted to USD 53.6 million of which investments in subsidiaries were USD 44.1 million, loan assets was USD 6.6 million, cash at bank was USD 1.9 million, investment in associates was USD 0.3 million and USD 0.5 million in trade and other receivables.

Total equity of the Parent amounted to USD 46.1 million as at 31 December 2021 (2020: USD 40.2 million).

As at 31 December 2021, the total number of shares outstanding in Petrolia SE was 59,133,786, with par value USD 0.10 each.

Cash flows from operations were USD 8.5 million in 2021 (2020: USD 0.1 million). Cash flows from investing were USD -6.4 million (2020: nil). Cash flows from financing were USD -0.2 million (2020: USD -0.3 million).

Total cash position at 31 December 2021 was USD 2.0 million (2020: USD 0.1 million).

FINANCIAL AND LIQUIDITY RISK

As at 31 December 2021, the Group had a cash balance of USD 16.1 million.

The Group's long-term financing is mainly financial lease of equipment and Right of Use Asset totalling USD 13.1 million, while the bond loan amounting to USD 4.6 million is due for repayment on 21 July 2022.

Additional information on liquidity risk is presented in Note 23.

GOING CONCERN

Management has conducted a review of the going concern assumption considering all relevant information available up to the date the consolidated and separate parent financial statements are issued and taking into account all available information about the future, for at least 12 months from the reporting date.

The forecast cash flows from the Energy Service division provide sufficient cash flows and the Group expects to be in a position to serve its working capital needs, the repayment of the Bond Loan and other obligations as and when they fall due. These forecasts have been made based on past experiences and detailed knowledge of the local markets.

The Group's management expects an improved environment for the Energy Service segment in 2022 and remains confident in the Group's ability to adapt cost levels to the activity and to maintain sufficient financial resources to enable it to continue as a going concern for the foreseeable future.

Following its review, management confirms that the requirements of the going concern assumption are met and that these financial statements have been prepared on that basis.

WORKING ENVIRONMENT AND PERSONNEL

Petrolia SE has four employees, two men and two women.

In total, the Group had 229 highly competent employees worldwide as at 31 December 2021. The Group is an equal opportunity employer and will not tolerate discrimination. Recruitment, promotion and reward are based entirely on merit.

There have not been any serious accidents reported in the Group in 2021.

Petrolia's Board of Directors consisted of 4 men as at 31 December 2021.

ENVIRONMENT REPORTING

The Group's objective is that all of its activities are carried out without risk to people or damage to the surroundings. The Group's activities during 2021 did not cause any pollution of the environment and have conformed with the demands of the prevailing authorities in its worldwide operations.

CORPORATE GOVERNANCE STATEMENT

The Board believes it is important that the Group is run and managed on sound principles of Corporate Governance. Reference is made to the section on Corporate Governance in this report.
As Petrolia is listed on the Oslo Stock Exchange, it follows the Norwegian Code of Practice for Corporate Governance of 14 October 2021.

Significant shareholders are presented in note 17 to the consolidated financial statements.

As at 31 December 2021 and as at 26 April 2022, the directors who held shares in the Company are shown in note 17.

There are no restrictions in voting rights or special control rights in relation to the shares of the Company.
Any amendment or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a shareholders' meeting.

The rules governing the composition of the Board of Directors, appointment and replacement of its members and holding of Company's shares are set out in Section 8 of the Corporate Governance Report for 2021.

The powers of the Board of Directors and its Audit and Remuneration Committees are also set out in the Corporate Governance Report in section 9.

The Company, through internal controls implemented by management and supervised by the Audit Committee, implemented effective procedures for the composition and preparation of financial statements and periodic information, as provided by the Laws and Regulations of listed companies. In addition to the above, the main features of these procedures, are as follows:

- The financial statements of the Group companies and the consolidated financial statements are prepared with the responsibility of the Chief Financial Officer and reviewed by the Audit Committee.
- The periodic announcements of the Company and the detailed explanatory notes are prepared by the Chief Financial Officer and reviewed by the Audit Committee.
- The financial statements and the periodic announcements are approved by the Board of Directors prior to their publication.

EXISTENCE OF BRANCHES

To facilitate its operations, the Company has established a branch in Norway.

CHANGES IN SHARE CAPITAL

There have been no changes to the share capital during 2021.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2021 and at the date of this report are Berge Gerdt Larsen, Sjur Storaas, George Hadjineophytou and Polycarpos Protopapas.
The General Meeting on 27 May 2021 re-elected Mr Berge Gerdt Larsen, Mr Sjur Storaas, Mr George Hadjineophytou and Mr Polycarpos Protopapas as directors of the Board.
In accordance with the Company's Articles of Association, all Directors who are presently members of the Board will continue in office until the next Annual General Meeting and are eligible for re-election.

The Directors' interests in shares of the Company is disclosed in note 17 of the financial statements.

INDEPENDENT AUDITOR

The independent auditors of the Company, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing the firm's re-appointment and authorising the Directors to set the remuneration for audit services will be proposed at the Annual General Meeting of the Company.

EVENTS AFTER THE REPORTING PERIOD

Please refer to note 29.

Limassol, 28th of April 2022

Berge Gerdt Larsen
Chairman of the Board

Polycarpos Protopapas
Board member
Managing director

Sjur Storaas
Board member

George Hadjineophytou
Board member

Sølve Nilsen
Finance manager

THE BOARD OF DIRECTORS' REPORT ON CORPORATE SOCIAL RESPONSIBILITY

In this report, we disclose information relating to our CORPORATE SOCIAL RESPONSIBILITY ('CSR') policy and performance of this policy in 2021. This report relates to the period 1 January 2021 to 31 December 2021 and should be read as part of the Company's Annual Report for 2021. During 2021, the Group had operational activities in Norway, The Netherlands, the UK, Romania, Australia, New Zealand, Iraq, Malaysia, Papua New Guinea and UAE, therefore the majority of the information in this CSR report relates to the Group's operations in these countries. Our approach to CSR focuses on the way in which we conduct relationships with all of our stakeholders and the wider impact that we can have on society and the environment. In this context, we continuously address the following key aspects of our business:

HEALTH & SAFETY

The safety of our employees, contractors, partners and all of our stakeholders is of utmost importance to the Group. We aim to employ high Health & Safety standards to our operations everywhere. All our employees and contractors have the responsibility and the authority to stop unsafe work. Our contracts include health and safety requirements consistent with our code of conduct. Our main objective is that all of our activities are carried out without risk to people or damage to the environment and our safety and operational risk team works together to achieve this objective. Incidents and near misses are required to be reported and investigated. We are pleased to report that during 2021, no incident of pollution to the environment was reported and the Group conformed with the safety and environmental demands of the prevailing authorities in its worldwide operations. We continued to have an excellent health and safety record with no major injuries or fatalities in 2021.

ENVIRONMENT & SUSTAINABILITY

We recognise the potential to damage the environment through our operations and our responsibility to implement effective management to safeguard the environment by minimising such an impact and we have capable people to manage such risks at every stage. CO2 emissions from our activities receive the greatest attention. We are committed to making a positive contribution to global sustainability and to protect the environment. We aim to operate to the highest international social, environmental and safety standards within the industry and believe that it is important to make a positive contribution to all of the geographical areas where we operate. Climate change and the transition to a lower carbon economy has been identified as a possible risk. Our subsidiary, CO2 Management AS aims to mitigate this risk by taking steps to reduce the Group's carbon footprint and in addition, will make investments aimed at reducing CO2 emissions, including Carbon Capture & Storage (CCS) and Hydrogen Production technologies in Norway.

EMPLOYEES

Our ability to create sustainable shareholder value is linked to our ability to recruit, motivate and retain highly competent employees. People are our most important asset. The Group is an equal opportunities employer and will not tolerate discrimination in recruitment, advancement and remuneration in the workplace. We have a shared commitment with employees to create a safe working environment where there is respect for others and we are responsive to employee needs. Employees are encouraged to speak up if they have any concerns through our Whistle Blowing Policy. Recruitment, promotion and reward are entirely based on merit. We believe in shared prosperity and wherever possible, we employ nationals of our host countries.

COMMUNITY AND HUMAN RIGHTS

Our continuous presence in a number of different territories brings challenges, which we meet through the application of our existing approach and policies. We aim to have a positive and enduring impact on the communities in which we operate and contribute to their development. We invest in our relationships with the local communities and ensure that all of our activities are conducted with absolute respect to these communities. We contribute to these communities by employing local staff and cooperating with local suppliers. We respect internationally recognised human rights and we set our commitments in our human rights policy and our Code of Conduct. All of our initiatives during 2021 were focused on health and social involvement across our operating regions.

BUSINESS CONDUCT

CSR encompasses the Company's management of relationships with shareholders, employees, contractors, partners and the local communities where we work, together with the impact it has on society and the environment. In this respect, we have a responsibility to ensure that we deliver our business objectives in a way that benefits all of our stakeholders. In recognition of this responsibility, we have robust policies and systems in place, which are continuously reviewed. We aim for the highest standards of business conduct across all of our worldwide operations. Our CSR policy aims to ensure a responsible and transparent performance of our business in all of the areas in which we operate. It reflects our commitment to generate and sustain long-term value growth for the Company whilst creating long lasting legacies in local communities. Operating to high international social, environmental and safety standards and maintaining high standards of corporate governance is a key requirement of our policy. Our Code of Conduct ensures that we compete fairly and explicitly prohibits engaging in any form of bribery or corruption whilst our Integrity Due Diligence procedures ensure that we select our business partners carefully and do not expose the Group to any reputational risk with zero tolerance for unethical business practices. We also prohibit the use of funds to support political parties.

CORPORATE GOVERNANCE

We continue to operate with high standards of corporate governance, which helps us deliver our strategic objectives. We are committed to protecting the interests of all of our stakeholders through complete and absolute compliance with the relevant legal and regulatory environments and through the effective management of risk.

Every effort has been made to ensure that information contained in this report is accurate.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Petrolia SE – Group

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021

(Amounts in USD 1,000)	Note	2021	2020
Revenue from contracts with customers	5	50,976	43,596
Wages cost	6	-13,520	-10,855
Other operating expenses	7	-24,118	-22,855
Operating result before depreciation and impairments		**13,338**	**9,886**
Depreciation	11	-7,640	-7,888
Net impairment of fixed assets	11	-934	-470
Operating result		**4,764**	**1,528**
Result from associated companies	12	-3,636	-1,532
Interest income	8	472	588
Financial income	8	55	1,160
Interest expenses	8	-1,009	-808
Financial expenses	8	-937	-146
Result before income taxes		**-291**	**790**
Income tax	9	-879	-1,000
Result for the year		**-1,170**	**-210**
Attributable to:			
Equity holders of the parent		-1,193	611
Non-controlling interests		23	-821
		-1,170	**-210**
Attributable to the equity holders (USD per share)			
Earnings per share (Basic, from continuing operations)	10	-0.02	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Amounts in USD 1,000)	Note	2021	2020
Result for the year		**-1,170**	**-210**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		-392	-332
Total comprehensive loss for the year, net of tax		**-1,562**	**-542**
Attributable to:			
Equity holders of the parent		-1,866	-23
Non-controlling interests		304	-519
Total comprehensive loss for the year		**-1,562**	**-542**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

ASSETS (Amounts in USD 1,000)	Note	2021	2020
Non-current assets			
Goodwill	28	249	0
Right of use assets	11	13,152	12,047
Land and buildings	11	1,820	2,696
OilService and other equipment	11	12,820	14,771
Land rigs	11	1,741	1,902
Investment in associated companies	12	1,087	2,491
Other financial assets	13	7,001	6,417
Deferred tax assets	9	169	424
Restricted cash	16	3	29
Total non-current assets		**38,042**	**40,777**
Current assets			
Inventory	26	1,933	1,870
Trade receivables	14	10,225	10,325
Other current receivables	14	2,803	2,135
Financial assets at fair value through profit or loss	15	162	110
Free cash	16	15,908	15,942
Restricted cash	16	222	200
Total current assets		**31,253**	**30,582**
TOTAL ASSETS		**69,295**	**71,359**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

EQUITY AND LIABILITIES (Amounts in USD 1,000)	Note	2021	2020
Equity			
Share capital	17	5,913	5,913
Share premium		12,222	12,222
Other reserves		19,306	21,172
Equity attributable to equity holders of the parent		**37,441**	**39,307**
Non-controlling interests		**1,851**	**1,547**
Total equity		**39,292**	**40,854**
Liabilities			
Non-current liabilities			
Bond loans	18	0	4,620
Lease liabilities	19	9,404	9,338
Bank loan	21	304	438
Other non-current liabilities		110	93
		9,818	**14,489**
Current liabilities			
Bond loans	18	4,620	0
Lease liabilities	19	3,653	3,084
Trade payables	20	5,354	7,161
Other payables	20	5,884	4,591
Bank loan and overdraft	21	106	104
Income tax payable		568	1,076
		20,185	**16,016**
Total liabilities		**30,003**	**30,505**
TOTAL EQUITY AND LIABILITIES		**69,295**	**71,359**

Limassol, 28th of April 2022

Berge Gerdt Larsen
Chairman of the Board

Polycarpos Protopapas
Board member
Managing director

Sjur Storaas
Board member

George Hadjineophytou
Board member

Sølve Nilsen
Finance manager

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Equity attributable to the Company's shareholders. Refer also to note 17.

(Amounts in USD 1,000)	Attributable to equity holders of the parent							
	Share capital	Share premium	Reorganisation reserve	Retained earnings	Currency translation	Subtotal	Non-controlling interests	Total equity
Equity 1 January 2020	**5,913**	**12,222**	**-15,075**	**33,540**	**2,730**	**39,330**	**2,066**	**41,396**
Profit/(loss) for the year	0	0	0	611	0	611	-821	-210
Other comprehensive income								
Exchange differences on translation of foreign operations	0	0	0	0	-634	-634	302	-332
Total comprehensive income/ (loss)	**0**	**0**	**0**	**611**	**-634**	**-23**	**-519**	**-542**
Equity 31 December 2020	**5,913**	**12,222**	**-15,075**	**34,151**	**2,096**	**39,307**	**1,547**	**40,854**
Profit/(loss) for the year	0	0	0	-1,193	0	-1,193	23	-1,170
Other comprehensive income								
Exchange differences on translation of foreign operations	0	0	0	0	-673	-673	281	-392
Total comprehensive income/ (loss)	**0**	**0**	**0**	**-1,193**	**-673**	**-1,866**	**304**	**-1,562**
Equity 31 December 2021	**5,913**	**12,222**	**-15,075**	**32,958**	**1,423**	**37,441**	**1,851**	**39,292**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

(Amounts in USD 1,000)	Note	2021	2020
Operating activities			
(Loss)/profit before taxes		-291	790
Allowance of expected credit losses	7	924	1,976
Loss/(profit) on disposal of property, plant and equipment		42	-113
Depreciation of property, plant and equipment and right of use assets	11	7,640	7,888
Impairment of property, plant, equipment	11	934	470
Interest income	8	-472	-588
Change in financial assets at fair value through profit or loss	8	-52	70
Interest expense on lease liabilities	8	709	504
Interest expense on bonds	8	277	277
Other interest expenses	8	23	27
Change in inventory		-63	-395
Change in trade receivables		-824	3,515
Change in other current receivables		-338	908
Change in trade payables		-1,807	-1,176
Change in other payables		2,517	-1,662
Change in other non-current liabilities		-1,207	2
Result from investment in associated companies	12	3,636	1,532
Income tax paid		-493	-839
Other, incl unrealised foreign currency loss/gain		-853	-1,544
Net cash generated from operating activities		**10,302**	**11,642**
Investing activities			
Purchase of fixed assets	11	-3,475	-3,411
Disposal of equipment		204	602
Repayment of loans granted	13	8,271	4,563
Loan granted	13	-8,414	0
Investment in associates	12	-2,456	-2,294
Acquisition of a subsidiary, net of cash acquired	28	-350	0
Interest received		472	588
Net cash (used in) / generated from investing activities		**-5,748**	**48**
Financing activities			
Increase/release of restricted cash		4	-52
Leasing instalments (capital)	23	-3,552	-2,881
Interest paid on bond loans (net)	8	-277	-277
Other interest paid	8	-23	-27
Interest paid on lease liabilities	19	-709	-504
Bank loan, draw down	23	0	527
Bank loan, repaid	23	-31	-119
Net cash used in financing activities		**-4,588**	**-3,333**
Net cash flow of the period		**-34**	**8,357**
Free cash and cash equivalents at the beginning of the period	16	15,942	7,585
Free cash and cash equivalents balance at 31 December	**16**	**15,908**	**15,942**

NOTES - GROUP

to the consolidated financial statements

NOTE 1 GENERAL INFORMATION

Petrolia SE (the "Company") is a European public limited company organised under the laws of Cyprus. The Company's registered office is at 205 Christodoulou Chatzipavlou Street, Loulloupis Court, 4th floor, office 401, 3036 Limassol, Cyprus. The Company also has a Norwegian branch with registered office at Haakon VIIs gate 1 (2. etg.), Oslo, Norway.

The main activity of the Group is the sale and rental of drilling equipment and land rig rental to the global oil industry.
The annual financial statements were adopted by the Board of Directors on the 28th of April 2022 and will be passed to the Annual General Meeting for approval.

Petrolia SE was established on the 26th of October 2012 as a result of the merger between Petrolia ASA (established on the 13th of March, 1997) and Petrolia E&P Holdings Plc. The consolidated financial statements for the financial year 2021 comprise the Company and its subsidiaries and the Group's share of associated companies. The Company is listed on the Oslo Stock Exchange with ticker "PSE" and ISIN "CY 010 263 0916".

The table below presents general ESEF data.

Domicile of entity	Limassol	Principal place of business	Cyprus
Legal form of entity	European public limited company	Description of nature of entity's operations and principal activities	The main activity of the Group is the sale and rental of energy service equipment to the global energy industry
Country of incorporation	Cyprus	Name of parent entity	Petrolia SE
Address of entity's registered office	205 Christodoulou Chatzipavlou Street, Loulloupis Court	Name of ultimate parent of group	Petrolia SE

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of Petrolia SE have been prepared in compliance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and the requirements of the Cyprus Companies Law, Cap.113.

The consolidated financial statements have been prepared under the historical cost convention with the following modification: Financial assets recognised at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 3 below.

The consolidated financial statements are presented in United States Dollars (USD) and all values are rounded to the nearest thousand (USD 1,000), except when otherwise indicated.
The accounting year follows the calendar year.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received from the sale of 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 whereby an asset is sold or a liability is transferred 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, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account 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. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in note 23.

GOING CONCERN

Management has conducted a review of the going concern assumption considering all relevant information available up to the date the consolidated and separate parent financial statements are issued and taking into account all available information about the future, for at least 12 months from the reporting date.

The forecast cash flows from the Energy Service division provide sufficient cash flows and the Group expects to be in a position to serve its working capital needs, the repayment of the Bond Loan and other obligations as and when they fall due. These forecasts have been made based on past experiences and detailed knowledge of the local markets.

The Group's management expects an improved environment for the Energy Service segment in 2022 and remains confident in the Group's ability to adapt cost levels to the activity and to maintain sufficient financial resources to enable it to continue as a going concern for the foreseeable future.

Following its review, management confirms that the requirements of the going concern assumption are met and that these financial statements have been prepared on that basis.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated, in full, on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BUSINESS COMBINATIONS AND GOODWILL

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Investment in associates

The Group's investment in associated entities, in which the Group has significant influence, is accounted for using the equity method. Under the equity method, the investment in the associate 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 associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, 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 associate are eliminated to the extent of the interest in the associate. The Group's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD.

The functional and presentation currency of the parent company is USD.

Converting from a functional currency other than USD will normally result in conversion differences in the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under financial income / financial expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities in each statement of financial position presented are translated at the closing rate;
- income and expenses in each income statement are translated at the average exchange rates for the period;
- all resulting exchange differences are recognised in the statement of comprehensive

income and as a separate item of equity.

Currency translation differences on net investment in foreign operations and financial instruments designated as hedges of such investments are recorded as part of the comprehensive income and as a separate item in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Rental of equipment – Service transferred over time:

The primary business function of the Group is the rental of equipment for upstream exploration & production activity, as such, the primary source of revenue is based on rental of equipment. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group. This performance obligation has two alternative payment options. The rental projects that continue throughout the month (more than 30 days) are invoiced in bulk at the end of each month, whereas the projects that terminate prior to the months end are invoiced ad hoc as the customer has confirmed the final rental day. The payment terms vary depending on the individual contract with customers, but due dates normally range from 30 to 90 days from the invoice date.

On projects where the Group does not own the required equipment, there are contracts with customers to acquire, on their behalf, the required equipment from external suppliers. The Group is acting as principal in these arrangements.

Services:

Service and repairs:

All equipment returned from rental assignments are subject to inspection where it is determined whether service and/or repair is required. This performance obligation is satisfied upon completion of service and payment is generally due 30 to 90 days upon completion and acceptance by the customer.

Hire of personnel:

Personnel services comprise casing & tubing running, drilling and make & brake services. These services have fixed daily rates in accordance with individual contracts. The performance obligation is satisfied over time, as the customer simultaneously receives and consumes the benefits provided. This performance obligation has two alternative payment options. The projects that continue throughout the month (more than 30 days) are invoiced in bulk at the end of each month, whereas the projects that terminate prior to the month's end are invoiced ad hoc upon completion of service. The payment terms vary, depending on individual contract with customers but due dates normally range from 30 to 90 days from the invoice date.

Sales of goods – Goods transferred at a point in time:

Procurement services:

There are contracts with customers to acquire, on their behalf, goods from external suppliers. The Group is acting as principal in these arrangements because it typically controls the goods before transferring them to the customer. The performance obligation is satisfied and payment is generally due 30 to 90 days upon receipt of the goods by the customer.

Sales of equipment:

The Group distinguishes between two types of sales: equipment sold directly to customers and equipment on rental projects sold to customers when lost in hole. For direct sales, the performance obligation is satisfied at delivery and payment is generally due 30 to 90 days upon this date. For lost equipment, the performance obligation is satisfied at the point in time when the equipment is finally considered lost, and payment is generally due 30 to 90 days from this date.

INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount. The recoverable amount is the estimated future cash flow discounted at the original effective interest rate. Interest income on impaired loans is recognised using the original effective interest rate.

TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable,
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains on sales of OilService equipment lost in hole or damaged by customers are determined by comparing the proceeds with the carrying amount and are recognised gross within 'revenue' in the income statement.

All other gains and losses are recognised as profit/loss on disposal of property, plant and equipment included in other operating expenses.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- OilService and other equipment, 7 years
- Land and buildings, 1 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Group also gets into sub-lease agreements for its ROU assets. These sub-leases are short term and treated as operating leases.

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI and fair value through the income statement.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through the income statement.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loan to an associate.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the income statement.

The Group does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other income

in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Group's equity instruments designated at fair value through OCI are shown in note 13.

Financial assets at fair value through the income statement
Financial assets at fair value through the income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value through the income statement, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through the income statement, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through the income statement on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through the income statement are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.
This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other financial income in the consolidated income statement when the right of payment has been established.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Critical accounting judgements, estimates and assumptions (Note 3);
- Financial risk management, Credit risk (Note 23).

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment as well as adjusted for individual ECL assessments against particular customers.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the income statement, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through the income statement
Financial liabilities at fair value through the income statement include financial liabilities held for trading and financial liabilities

designated upon initial recognition as at fair value through the income statement.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through the income statement are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability at fair value through the income statement.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the EIR 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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of the income statement.

This category mainly applies to bonds and bank loan. For more information, refer to Notes 18 and 21.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials: purchase cost on a first in, first out basis.
- finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

CASH AND SHORT TERM DEPOSITS

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less but exclude any restricted cash which is not available for use by the Group.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

SHARE CAPITAL AND PREMIUM

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

PROVISIONS

The Group recognises provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Contingent liabilities and allocations are reassessed at each balance sheet date and the size of the recognised provision reflects best estimate of the obligation.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the management. The Company's management, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as General Managers and the Board of Directors.

RELATED-PARTY TRANSACTIONS

Agreements, transactions and outstanding accounts with related parties are always at arm's length pricing at market conditions.

CASH FLOW STATEMENT

The cash flow statement has been prepared by the indirect method. The indirect method involves reporting gross cash flow from investment and financing activities, while the accounting result is reconciled against net cash flow from operational activities. Cash and cash equivalents comprise bank deposits and other current, liquid investments which immediately and at insignificant exchange rate risk can be converted into known cash amounts and with due dates of less than three months from purchase date.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the result of the Group attributable to the shareholders of the parent with the weighted average number of ordinary shares of the period.

EVENTS AFTER THE REPORTING DATE

New information about the position of the Group existing at the reporting date regarding the accounting period have been taken into account in the financial statements according to standard estimation principles. Events after the reporting date are referred to in note 29.

2.4 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs and the new Interpretations that are mandatorily effective for the current period

In the current period, the Group has adopted all of the revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and adopted by the European Union that are relevant to its operations and effective for annual accounting periods beginning on 1 January 2021. The nature and the impact of each amendment is described below.

IFRS 7 ("Financial Instruments: Disclosures"), IFRS 9 ("Financial Instruments"), IAS 39 ("Financial Instruments: Recognition and Measurement"), IFRS 4 ("Insurance contracts") and IFRS 16 ("Leases") – "Amendments regarding replacement issues in the context of the IBOR reform – Phase 2". The amendments address issues that affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

These amendments do not have a significant impact on the Group's consolidated financial statements as the Group does not have any derivative financial instruments and the bank loans are not significant and carry interest at fixed rates.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group has not received significant Covid-19-related rent concessions.

New and revised IFRS in issue but not yet effective

The following Standards and Interpretations which are relevant to the Group's operations are in issue but not yet effective. The Group does not intend to adopt any standard, interpretation or amendment that has been issued but is not yet effective before their effective date.

Management anticipates that the adoption of all other Standards and Interpretations in future periods will have no significant impact on the results and financial position presented in these consolidated financial statements.

(i) Issued by the IASB and adopted by the European Union

IFRS 3 (''Business Combinations") – "Amendments updating a reference to the Conceptual Framework" (effective for annual periods beginning on or after 1 January 2022). The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. Also, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of financial statements. Since the amendments apply prospectively to transactions or other events after the date of first application, they will not have an impact on the Group's consolidated financial statements on the date of transition.

IAS 16 ("Property, Plant and equipment") – "Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use" (effective for annual periods beginning on or after 1 January 2022). These amendments are not expected to have an impact on the Group's consolidated financial statements.

IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets") – "Amendments regarding the costs to include when assessing whether a contract is onerous" (effective for annual periods beginning on or after 1 January 2022). These amendments are not expected to have a material impact on the Group's consolidated financial statements.

IAS 1 ("Presentation of Financial Statements") and IFRS Practice Statement 2 – "Amendments regarding the disclosure of accounting policies" (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are not expected to have a material impact on the Group's consolidated financial statements.

IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Errors") – "Amendments regarding the definition of accounting estimates" (effective for annual periods beginning on or after 1 January 2023). These amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

The "May 2020 Annual Improvements to IFRSs" is a collection of amendment to IFRSs in response to four standards. These improvements are effective from 1 January 2022. It includes the following amendments, which are not expected to have an impact on the Group's consolidated financial statements:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards (simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent);
- IFRS 9 – Financial Instruments (clarifies the fees to be included for the purpose of performing the '10 per cent test' for derecognition of financial liabilities); and
- IAS 41 – Agriculture (removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 "Fair Value Measurement").

(ii) Issued by the IASB but not yet adopted by the European Union

IFRS 10 ("Consolidated Financial Statements") and IAS 28 ("Investments in Associates and Joint Ventures") – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have an impact on the Group's consolidated financial statements.

IAS 1 (''Presentation of Financial Statements") – "Amendments regarding the classification of liabilities as current or non-current" (effective for annual periods beginning on or after 1 January 2023). The IASB proposed to defer the effective date to not earlier than 1 January 2024. These amendments are not expected to have an impact on the Group's consolidated financial statements as the Group already applies the criteria set by the amendments.

IAS 12 ("Income Taxes") – "Amendments regarding deferred tax on leases and decommissioning obligations" (effective for annual periods beginning on or after 1 January 2023). These amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 17 ("Insurance Contracts"), Amendments to IFRS 17 and Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information – "A comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure" (effective for annual periods beginning on or after 1 January 2023). Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The new accounting standard and its amendments are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Impairment of property, plant and equipment
Refer also to note 11.

The Group tests annually whether the drilling equipment, land rigs and land and buildings have suffered any impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The value in use calculations are based on a discounted cash flow model. The cash flows are derived from the business plan for the next five years. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

ii) Provision for expected credit losses of trade receivables
The Group uses a provision matrix at each location it operates to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.
The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if the oil prices are expected to decrease over the next year, which can lead to an increased number of defaults in the energy service sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

As the number of customers at each location is small, in addition to the collective ECL assessment using the portfolio matrix approach as adjusted by forward looking information, the Group also performs individual ECL assessments against the biggest customers with significant long outstanding balances. The individual assessments are taking into account various information known locally for each customer, such as history of credit losses, financial performance, settlement arrangements agreed, etc. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

iii) Determining the lease term of contracts with renewal options when the Group acts as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. All relevant factors including economic incentive factors, are considered to exercise the renewal. Local teams are responsible for managing their leases and, accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide local management with greater flexibility to align its need for access to equipment and warehouses with the fulfilment of customer contracts and office rentals. The individual terms and conditions used vary across the Group.
The majority of extension and termination options held are exercisable only by Lessee and not by the respective lessors. In cases in which Lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

During 2021, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of USD 1.1 million (2020: USD 4.1 million). In almost all of the cases, the local teams assumes that the options to extend a lease will not be exercised, as on initial recognition it is not reasonable certain what will be the market conditions when the Group will need to decide whether to exercise an option to extend the lease. After the commencement date, the Group reassesses the lease term, at each reporting date, if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

NOTE 4 ORGANISATION

Summary of the companies of the Group:
As at 31.12.2021 the following companies are presented in the consolidated financial statements:

Company	Business office , activity, objective	% owned
Subsidiaries (fully consolidated)		
Petrolia AS	Norway. Energy Service..	100
Petrolia Invest AS	Norway. Investment company.	100
Petrolia Rigs AS	Norway. Investment company.	100
Oil Tools Supplier AS	Norway. Energy Service.	100
Independent Oil Tools AS	Norway. Energy Service.	100
Independent Tool Pool AS	Norway. Energy Service.	100
IOT Group Australia Pty Ltd	Australia. Energy Service.	100
Independent Oil Tools BV	Netherlands. Energy Service.	100
Independent Oil Tools Dosco BV	Netherlands. Energy Service.	70
Independent Oil Tools Srl	Romania. Energy Service.	100
IOT Group Limited	New Zealand. Energy Service.	100
Venture Drilling AS	Norway. Energy Service.	100
Independent Tool Pool DMCC	Jebel Ali Free Zone (Dubai). Energy Service.	100
Petrolia Tool Pool AS	Norway. Energy Service.	100
Petrolia Rigs II AS	Norway. Energy Service.	100
Catch Holding BV	Netherlands. Energy Service.	90
Catch Fishing Services BV	Netherlands. Energy Service.	90
IO&R Ltd	Dubai. Energy Service	100
Independent Oil Tools International (Cyprus) Ltd	Cyprus. Energy Service.	100
Independent Oil Tools Iraq for General Trading Co. Ltd	Iraq. Energy Service.	61
Tubulars Energy Services (M) Sdn Bhd	Malaysia. Energy Service.	100
Independent Oil Tools (Pvt) Ltd	Pakistan. Energy Service.	83.33
IOT Energy Services Limited	UK. Energy Service.	90
CO2 Management AS	Norway. Energy Service.	100
Hydrogen & CCS AS	Norway. Energy Service.	100
Ammonia Energy Solutions AS	Norway. Energy Service	100
Associated companies (equity method) (refer to note 12)		
Petrolia Noco AS	Norway. Exploring for oil and gas on the Norwegian Continental Shelf.	49.90

NOTE 5 SEGMENT INFORMATION

The Group has two strategic segments: Energy and Energy Service (including land rigs).
Energy activities are presently carried out through an investment in an associate company. Operating activities are carried out from one segment: Energy Service. Energy Service activities are described in the accounting policy "Revenue from contracts".

THE GROUP'S ENERGY SERVICE SEGMENT OPERATES IN THE FOLLOWING MAIN GEOGRAPHICAL AREAS:

2021 Revenue from Energy Service segment (amounts in USD 1,000)	Rental of equipment	Services	Sales of equipment and consumables	Total
Norway	11,448	3,488	515	15,451
Europe outside Norway	6,866	2,845	5,171	14,882
Asia and Australia	12,239	6,469	1,935	20,643
Total	**30,553**	**12,802**	**7,621**	**50,976**
Result for the year from energy service segment				**2,466**

2020 Revenue from Energy Service segment (amounts in USD 1,000)	Rental of equipment	Services	Sales of equipment and consumables	Total
Norway	9,326	2,954	971	13,251
Europe outside Norway	3,879	4,105	7,041	15,025
Asia and Australia	7,283	5,918	2,119	15,320
Total	**20,488**	**12,977**	**10,131**	**43,596**
Result for the year from energy service segment				**1,322**

Non-current tangible assets (amounts in USD 1,000)	2021	2020
Norway	2,901	2,917
Europe outside Norway	5,126	7,022
Asia and Australia	5,906	7,081
Tool pools	2,449	5,620
Total	**16,382**	**22,640**

Revenue
The major part of the Group's revenues derive from short term rental of drilling equipment such as drill pipes and test tubings. There are no material contract asset balances.

Geographic allocation
Geographic allocation is primarily based on where the companies are domiciled. Some asset owning subsidiaries are allocated as tool pools, because they only rent their equipment to companies in the Group.

Major customers
The end customers are oil companies, drilling contractors or oil service companies. No single customer represents a significant part of total revenues.

Petrolia Noco AS (Note 12)
The associate company, Petrolia Noco AS, operates in the Energy segment. The interest income from the Energy segment is shown in note 8 and the share of result in note 12.

NOTE 6 WAGES COST

(amounts in USD 1,000)	2021	2020
Wages and salaries	11,223	8,981
Social security	915	825
Pension costs	698	607
Other contributions	684	442
Total	**13,520**	**10,855**

The Group had 229 employees as at the end of 2021 (2020: 206 employees).
Average number of employees was 218 in 2021 (2020: 252).

Remuneration and benefits General Manager and Finance Manager (amounts in USD 1,000)	2021	2020
Polycarpos Protopapas (27 November 2019 -), Managing director, Cyprus	64	57
Demos Demou (14 September 2012 - 1 June 2020), Finance manager, Cyprus	0	24
Sølve Nilsen (1 October 2010 -), General manager of the Branch, Norway	192	185
Total	**256**	**266**

The following fee has been paid to the members of the board (amounts in USD 1,000) :	2021	2020
Berge Gerdt Larsen- Chairman of the board, Remuneration committee (re-elected on 28 May 2020)	0	0
George Hadjineophytou - Board member, Audit & Remuneration committees (re-elected on 28 May 2020)	44	42
Sjur Storaas - Board member, Audit & Remuneration committees (re-elected on 28 May 2020)	44	38
Polycarpos Protopapas - Board member (re-elected on 28 May 2020)	0	0
Judith Parry - Board member, Audit & Remuneration committees (resigned on 28 May 2020)	0	18
Total	**88**	**98**

NOTE 7 SPECIFICATION OF OTHER OPERATING EXPENSES

The amounts are exclusive of value added tax.

Other operating expenses comprise the following main items (amounts in USD 1,000) :	2021	2020
Fees to external advisors, lawyers, auditors	1,192	1,001
Cost of goods sold	18,876	17,019
Allowance of expected credit losses (Note 14)	924	1,976
Expenses relating to short-term leases	61	84
Expenses relating to leases of low value	6	4
Other operating expenses	3,059	2,771
Total other operating expenses	**24,118**	**22,855**

AUDITORS FEE

Recognised fee for auditors of the group and other auditors (amounts in USD 1,000) :	2021	2020
Statutory audit	398	351
Tax services	101	99
Other non-audit services	33	11
Total auditor's fee	**532**	**461**

NOTE 8 SPECIFICATION OF FINANCIAL ITEMS

(amounts in USD 1,000)	2021	2020
Interest income		
Interest income from current bank deposits	6	11
Interest income from associate (refer to note 13)	466	577
	472	**588**
Financial income		
Foreign exchange gain - net	0	1,159
Dividend	3	0
Profit on shares at fair value through profit and loss (refer to note 15)	52	0
Other financial income	0	1
	55	**1,160**
Interest expenses		
Interest expense on bonds	277	277
Other interest expense	23	27
Interest expense on lease liabilities (refer to note 19)	709	504
	1,009	**808**
Financial expenses		
Foreign exchange loss - net	795	0
Loss on shares at fair value through profit or loss (refer to note 15)	0	70
Other financial expenses	142	76
	937	**146**
Net finance (cost) / income	**-1,419**	**794**

NOTE 9 INCOME TAX

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows: (amounts in USD 1,000)	2021	2020
Result before tax charges	-291	790
Tax calculated at domestic tax rates applicable to profits in respective countries (12.5% for parent company)	-624	-715
Change in deferred tax asset	-255	-285
Tax on result	**-879**	**-1,000**

Change in deferred tax assets represent USD -145 thousand from tax losses (2020: USD -141 thousand) and USD -110 thousand from temporary differences (2020: USD -144 thousand). In Cyprus there is a time limit of 5 years for the use of carry-forward tax losses. There is no time limit for the use of carry-forward tax losses in Norway.

Calculation of deferred tax asset (amounts in USD 1,000)	2021	2020
Non-current assets	5,454	5,213
Current assets	-5,360	-5,764
Net temporary differences	94	-551
Carry forward loss	-1,423	-2,045
Basis for deferred tax asset	-1,329	-2,596
Deferred tax asset at nominal tax rates	169	424
Carried tax asset	169	424
Carried tax liability	0	0

For the Norwegian companies the tax obligation is nominated and calculated in NOK, and then converted to USD.

The Group expects to utilise tax losses carried forward at a rate of 15%, for its Dutch subsidiaries, of USD 1.34 million (2020: USD 2.0 million) against future taxable profits.

The Group has deductible temporary differences, for its Norwegian subsidiaries, related to non-current assets of USD 13.7 million (2020: USD 15.1 million) with a tax value of USD 3.0 million (2020: USD 3.3 million) that are not carried as deferred tax assets since it is uncertain that these can be utilised.

No deferred tax asset or liability was recognised for the subsidiaries registered in other jurisdictions.

NOTE 10 EARNINGS PER SHARE

(amounts in USD 1,000, with the exception of earnings per share)	2021	2020
Result attributable to the equity holders of the parent	-1,193	611
Weighted average no. of shares	59,133,786	59,133,786
No. of shares at period end	59,133,786	59,133,786
Basic earnings per average no. of shares		
From continuing operations	-0.02	0.01
Basic (loss) / earnings per share (USD per share)	**-0.02**	**0.01**

The Company has no outstanding or authorised stock options, or warrants. As at 31 December 2021, the Company held no treasury shares.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

(amounts in USD 1,000)	OilService and other equipment	Land and buildings	Land rigs	Total
Per 31 December 2019				
Acquisition cost	288,774	4,142	14,271	307,187
Accumulated impairment	-26,649	-59	-7,656	-34,364
Accumulated depreciation	-247,777	-639	-3,887	-252,303
Book value 31.12.19	**14,348**	**3,444**	**2,728**	**20,520**
Accounting year 2020				
Book value 01.01.20	14,348	3,444	2,728	20,520
Transferred cost from Right of use assets	2,926	0	0	2,926
Transferred depreciation from Right of use assets	-1,964	0	0	-1,964
Currency differences	1,159	-605	0	554
Additions	3,382	29	0	3,411
Disposal	-992	0	0	-992
Depreciation of the year	-4,266	-173	-826	-5,265
Impairment charge	-470	0	0	-470
Accumulated depreciation of assets disposed	648	1	0	649
Book value 31.12.20	**14,771**	**2,696**	**1,902**	**19,369**
Per 31 December 2020				
Acquisition cost	295,249	3,566	14,271	313,086
Accumulated impairment	-27,119	-59	-7,656	-34,834
Accumulated depreciation	-253,359	-811	-4,713	-258,883
Book value 31.12.20	**14,771**	**2,696**	**1,902**	**19,369**
Accounting year 2021				
Book value 01.01.21	14,771	2,696	1,902	19,369
Currency differences	-475	-89	0	-564
Additions	3,420	55	0	3,475
Disposal	-1,303	0	0	-1,303
Depreciation of the year	-4,370	-232	-161	-4,763
Impairment charge	-324	-610	0	-934
Accumulated depreciation of assets disposed	1,095	0	0	1,095
Accumulated impairment of assets disposed	6	0	0	6
Book value 31.12.21	**12,820**	**1,820**	**1,741**	**16,381**
Per 31 December 2021				
Acquisition cost	296,891	3,532	14,271	314,694
Accumulated impairment	-27,437	-669	-7,656	-35,762
Accumulated depreciation	-256,634	-1,043	-4,874	-262,551
Book value 31.12.21	**12,820**	**1,820**	**1,741**	**16,381**
Depreciation period	7-12 year	33 year*	12 year	
Residual value	0	0	0	
*) Land is not depreciated				

Impairment of property, plant and equipment
The Group performs impairment tests when there are indicators for impairment in accordance with the relevant accounting policy. The Group compares the carrying amount of fixed assets with the recoverable amount, being the higher of the fair value less costs to sell and the value in use calculation. Management estimates the fair value less costs to sell by obtaining either third party professional valuations or by reference to recent transactions of similar items.

In 2020, equipment at each location was tested for impairment as one cash generating unit and was impaired by USD 0.5 million based on value in use calculations. The main inputs and assumptions used by management in performing the value in use calculations as of 31 December 2020 are the Group's budgets discounted from 10.7% to 16.9% depending on the location. The main input used in the budgets were the expected trend in turnover, operating expenses and capital expenditure.

In 2021, equipment, land and buildings at each location was tested for impairment as one cash generating unit and equipment was impaired by USD 0.3 million based on value in use calculations. Land with a carrying of USD 0.6 million was fully impaired due to a dispute relating to its legal ownership. The Group continues to have access to the land through a long term lease agreement concluded in 2022. The main inputs and assumptions used by management in performing the value in use calculations as of 31 December 2021 are the Group's budgets discounted from 11,5% to 12% depending on the location. The main input used in the budgets were the expected trend in turnover, operating expenses and capital expenditure.

OilService and other equipment include fixed assets for own use of USD 3.5 million (2020: USD 4.1 million).

In 2021, the group had a loss from disposal of assets of USD 42 thousand (2020: profit of USD 113 thousand). The amount is included under other operating expenses.

RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(amounts in USD 1,000)	OilService and other equipment	Land and buildings	Total
Per 1 January 2020			
Acquisition cost	11,087	7,852	18,939
Accumulated impairment	-18	0	-18
Accumulated depreciation	-7,747	-1,844	-9,591
Book value 01.01.20	**3,322**	**6,008**	**9,330**
Additions	2,212	0	2,212
Modifications	0	4,096	4,096
Disposal of cost	-620	0	-620
Disposal of depreciation	356	0	356
Transferred cost to Property, Plant and Equipment	-2,926	0	-2,926
Transferred depreciation to Property, Plant and Equipment	1,964	0	1,964
Depreciation of the year	-761	-1,862	-2,623
Translation differences	46	212	258
Book value 31.12.20	**3,593**	**8,454**	**12,047**
Per 31 December 2020			
Acquisition cost	9,800	12,159	21,959
Accumulated impairment	-18	0	-18
Accumulated depreciation	-6,188	-3,705	-9,894
Book value 31.12.20	**3,593**	**8,454**	**12,047**
Additions	3,032	175	3,207
Modifications	0	1,196	1,196
Disposal of cost	-113	0	-113
Disposal of depreciation	30	0	30
Depreciation of the year	-795	-2,082	-2,877
Translation differences	-89	-249	-338
Book value 31.12.21	**5,658**	**7,494**	**13,152**
Per 31 December 2021			
Acquisition cost	12,630	13,281	25,911
Accumulated impairment	-18	0	-18
Accumulated depreciation	-6,953	-5,787	-12,741
Book value 31.12.21	**5,658**	**7,494**	**13,152**

As at 31 December 2021, management carried out an assessment of whether there is any indication that right of use assets may have suffered an impairment loss in accordance with the Group's policy and concluded that there is no such indication.

OilService and other equipment primarily include rental equipment. Land and buildings represent storage facilities and offices.

In 2021 lease modifications were added with USD 1.2 million (2020: USD 4.1 million) connected to lease extensions of land and buildings.

Refer also to note 19.

NOTE 12 ASSOCIATED COMPANIES

The Group's interest in associated entities is accounted for using the equity method.

PETROLIA NOCO AS

The company is an oil company exploring the Norwegian Continental Shelf for oil and gas and its shares are registered with ticker "PNO" on the NOTC (www.notc.no), a market place for unlisted shares. The company holds interests in 13 licences, two of which as an operator. Exploration activities are capital intensive, especially in the short term when drilling wells. The tax value of the expenses are refunded with 71.8% in the following tax year and an additional 6.2% will reduce payable taxes on any profits from sale of hydrocarbons. Thus in the long run, 22% of losses has to be funded by equity.Petrolia participate in capital issues to maintain its 49.9% ownership and has been the primary source of equity and debt funding since PNO was incorporated in 2011. Following a private placement in PNO in 2015 directed towards the largest shareholders of the Group, the Group's largest shareholders are now assisting in the funding of PNO.

CO2 MANAGEMENT AS

The company was incorporated on 29 March 2019 with an objective of contributing to reduced CO_2 emissions. The company was a 28.46% owned associated company. On 9 March 2021 the outstanding 71.5% shares were purchased for NOK 3.7 million (USD 439 thousand), making the company a fully owned subsidiary. Refer also to note 28.

(amounts in USD 1,000)	Petrolia Noco AS	CO2 Management AS	Total
Book value per 31.12.2019	**1,544**	**44**	**1,588**
Share issue	2,194	100	2,294
Translation difference	141	0	141
Share of result of the year	-1,442	-90	-1,532
Book value per 31.12.2020	**2,437**	**54**	**2,491**
Share issue	2,456	0	2,456
Translation difference	-170	0	-170
Share of result of the year	-3,636	0	-3,636
Moved to subsidiary	0	-54	-54
Book value per 31.12.2021	**1,087**	**0**	**1,087**

KEY NUMBERS FROM THE ACCOUNTS

Company	Incorpo-rated in	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Profit / (Loss)	Shareholding
Petrolia Noco AS	**Bergen, Norway**									
2021		16,478	19,174	35,652	10,773	22,702	33,475	455	-7,286	49.90%
2020		10,512	9,585	20,097	3,976	11,237	15,213	456	-2,889	49.90%
CO2 Management AS	**Bergen, Norway**									
2020		108	168	276	88	0	88	16	-317	28.46%

The associated companies had no contingent liabilities as at 31 December 2021 or 2020.
Petrolia Noco AS will participate in 1 carried well in 2022. No indicators of impairment were identified during the year.

NOTE 13 OTHER FINANCIAL ASSETS

UNSECURED LOAN (6%) AND EXPLORATION LOAN (10%) TO PETROLIA NOCO AS (ASSOCIATE)

The 6% loan is denominated in NOK and carried an annual interest of 6% in 2021 and 2020. The loan was repaid in 2021.

The 10% loan is denominated in NOK and carried an annual interest of 10% in 2021. The loan matures on 10 December 2023.

There is no history of credit losses. The associate company has positive equity (note 12) and there is very little risk regarding recoverability of its assets, hence ECL is not significant. The assets of the company normally consist primarily of tax receivable and working capital in licenses. To the extent exploration costs are carried, in line with accounting principles, a tax liability of 78% is also carried reducing the net to 22%. For discoveries there will normally be values that are not carried. The shareholders of the associate company are also supportive by contributing additional equity when needed to support the exploration programme of the associate, including meeting its financial obligations.

ZEG POWER AS

ZEG delivers solutions for clean hydrogen production from gas, through its novel ZEG ICC™ Technology with integrated carbon capture.

The Group owns 1.6% of the shares and the investment is carried at fair value through OCI (level 2).

	Loan			Shares	Total
(amounts in USD 1,000)	6% unsecured	10% unsecured	Petrolia Noco AS	Zeg Power AS	
Book value per 31.12.2019	**10,791**	**0**	**10,791**	**0**	**6,417**
Interest income	577	0	577	0	577
Interest received	-577	0	-577	0	-577
Repayment	-4,563	0	-4,563	0	-4,563
Translation difference	189	0	189	0	189
Book value per 31.12.2020	**6,417**	**0**	**6,417**	**0**	**6,417**
Interest income	216	250	466	0	466
Interest received	-216	-90	-306	0	-306
Addition	188	8,226	8,414	221	8,635
Consolidation effect	0	0	0	178	178
Repayment	-6,494	-1,777	-8,271	0	-8,271
Translation difference	-111	-7	-118	0	-118
Book value per 31.12.2021	**0**	**6,602**	**6,602**	**399**	**7,001**

NOTE 14 TRADE AND OTHER CURRENT RECEIVABLES

(amounts in USD 1,000)	2021	2020
Trade receivables	10,225	10,325
Other current receivables	2,803	2,135
Total	**13,028**	**12,460**

Ageing of trade as at 31 December 2021	Not due	1-30 days	31-60 days	61-90 days	90+ days	Total
Trade receivables	8,000	1,862	1,032	278	12,366	23,538
Total, gross	**8,000**	**1,862**	**1,032**	**278**	**12,366**	**23,538**
Expected credit loss rate	10.06%	9.94%	28.59%	88.13%	95.29%	56.56%
Expected credit loss	805	185	295	245	11,783	13,313
Total, net	**7,195**	**1,677**	**737**	**33**	**583**	**10,225**

Ageing of trade receivables as at 31 December 2020	Not due	1-30 days	31-60 days	61-90 days	90+ days	Total
Trade receivables	6,758	998	831	235	14,158	22,980
Total, gross	**6,758**	**998**	**831**	**235**	**14,158**	**22,980**
Expected credit loss rate	0.92%	2.40%	6.14%	13.62%	88.19%	55.07%
Expected credit loss	62	24	51	32	12,486	12,655
Total, net	**6,696**	**974**	**780**	**203**	**1,672**	**10,325**

Movement of accumulated expected credit losses on trade receivables

(amounts in USD 1,000)	2021	2020
Opening balance	**12,655**	**14,067**
Charge for the year	924	1,976
Written off	-266	-3,388
Closing balance	**13,313**	**12,655**

NOTE 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2021 and 2020 Petrolia Invest AS has invested liquid reserves in shares listed on the Oslo Stock Exchange. The table below presents details for shares in DNO International ASA, ticker DNO. The change of fair value amounting to a profit of USD 52 thousand (2020: loss of USD 70 thousand) is shown in note 8.

(amounts in USD 1,000)	2021	2020
DNO, shares	136,254	136,254
DNO, total shares	975,432,746	975,432,746
DNO, % owned	0.01%	0.01%
DNO, market value (NOK 10.455 / USD 1.185) (NOK 6.87 / USD 0.8049)	162	110
Fair Value / Carried value (Level 1)	**162**	**110**

NOTE 16 CASH AND CASH EQUIVALENTS

(amounts in USD 1,000)	2021	2020
Bank deposits	**16,133**	**16,171**
Hereof deposits restricted		
Other	3	29
Sum non-current	**3**	**29**
Other	14	13
Employees' tax deduction	208	187
Sum current	**222**	**200**
Total restricted capital	**225**	**229**
Free cash	**15,908**	**15,942**
Cash and bank deposits per currency (amounts in USD 1,000)		
Cash and bank deposits in NOK	5,513	7,757
Cash and bank deposits in USD	7,018	4,486
Cash and bank deposits in AED	8	9
Cash and bank deposits in GBP	69	209
Cash and bank deposits in EUR	1,519	2,683
Cash and bank deposits in NZD	262	133
Cash and bank deposits in RON	1,352	299
Cash and bank deposits in MYR	64	110
Cash and bank deposits in AUD	308	439
Cash and bank deposits in PGK	20	46
Total	**16,133**	**16.171**
Restricted cash	-225	-229
Total as per cash flow statement	**15,908**	**15.942**

NOTE 17 SHARE CAPITAL

Share capital of Petrolia SE (amounts in USD 1,000)	Authorised shares	Issued shares	Nominal value	Book value 2021	Book value 2020
Shares	**272,358,670**	**59,133,786**	**USD 0.10**	**USD 5,913**	**USD 5,913**

CHANGES TO SHARE CAPITAL

There have been no changes to the share capital in 2021 or 2020.

LIST OF THE MAJOR SHAREHOLDERS

Petrolia SE had a total of 2,880 shareholders as at 31 December 2021. The tables below shows the Company's 20 largest shareholders as at 31 December 2021 and as at 26 April 2022 according to the VPS (shares with nominal value USD 0.10):

	Shareholders 31 December 2021	No. of shares	Shareholding
1	INDEPENDENT OIL & RESOURCES PLC	27,182,571	45.97%
2	LARSEN OIL & GAS AS	12,410,177	20.99%
3	TIME CRITICAL PETROLEUM RESOURCES AS	3,789,897	6.41%
4	NOCO (UK) Ltd	3,709,888	6.27%
5	INCREASED OIL RECOVERY AS	3,446,624	5.83%
6	Ø. H. HOLDING AS	693,304	1.17%
7	TOKALA AS	666,764	1.13%
8	TROMMESTAD, OLE	324,582	0.55%
9	ELEKTROLAND NORGE AS	240,713	0.41%
10	OLSEN, ROLF ARILD	200,007	0.34%
11	SPECTER INVEST AS	195,000	0.33%
12	SERIOUS AS	194,971	0.33%
13	MIDDELBORG INVEST AS	159,878	0.27%
14	TOSKA, KETIL	150,000	0.25%
15	UBS Switzerland AG	129,492	0.22%
16	REPPEN, JON CHARLES	117,054	0.20%
17	ØRNES AS	115,000	0.19%
18	MONG, ØYVIND	100,014	0.17%
19	STANDARD ELEKTRO AS	100,000	0.17%
20	ONYX AS	85,000	0.14%
	Others	5,122,850	8.66%
Total no. of shares before treasury shares		59,133,786	100.00%
Treasury shares		0	0.00%
Total no. of shares		**59,133,786**	**100.00%**

	Shareholders 26 April 2022	No. of shares	Shareholding
1	INDEPENDENT OIL & RESOURCES PLC 1)	27,182,571	45.97%
2	LARSEN OIL & GAS AS 1)	12,410,177	20.99%
3	TIME CRITICAL PETROLEUM RESOURCES AS1)	3,789,897	6.41%
4	NOCO (UK) Ltd 1)	3,709,888	6.27%
5	INCREASED OIL RECOVERY AS 1)	3,446,624	5.83%
6	TOKALA AS	666,764	1.13%
7	Ø. H. HOLDING AS	539,466	0.91%
8	TROMMESTAD, OLE	505,000	0.85%
9	ELEKTROLAND NORGE AS	240,713	0.41%
10	OLSEN, ROLF ARILD	205,007	0.35%
11	SPECTER INVEST AS	200,000	0.34%
12	SERIOUS AS	194,971	0.33%
13	TOSKA, KETIL	150,000	0.25%
14	REPPEN, JON CHARLES	117,054	0.20%
15	ØRNES AS	115,000	0.19%
16	SILVERCOIN INDUSTRIES AS	109,241	0.18%
17	NORDNET LIVSFORSIKRING AS	106,883	0.18%
18	STANDARD ELEKTRO AS	100,000	0.17%
19	ONYX AS	82,914	0.14%
20	HALVORSEN, TORBEN	80,816	0.14%
	Others	5,277,499	8.76%
Total no. of shares before treasury shares		59,133,786	100.00%
Treasury shares		0	0.00%
Total no. of shares		**59,133,786**	**100.00%**

SHARES OWNED BY MEMBERS OF THE BOARD AND OTHER PRIMARY INSIDERS

The table below shows shareholding of members of the board and key management and other related parties (shares with nominal value USD 0.10)

Name	Shares	Shares
Members of the board and management as at:	**31 December 2021**	**26 April 2022**
Berge Gerdt Larsen, Chair of the Board 1)	3,789,897	3,789,897
Sølve Nilsen, General manager (Norway)	202,971	202,971
Total	**3,992,868**	**3,992,868**

1) Berge Gerdt Larsen owns 44.95% of Increased Oil Recovery AS and his son owns the remaining 55.05%. Larsen Oil & Gas AS is a 100% owned subsidiary of Increased Oil Recovery AS. Together the two companies hold 26.82% of the shares. Increased Oil Recovery AS is a 49.58% shareholder in Independent Oil & Resources Plc, which holds 45.97% of the shares in Petrolia SE. Berge Gerdt Larsen also controls Time Critical Petroleum Resources AS which holds 6.41% of the shares in Petrolia SE and 19.68% in shares in Independent Oil & Resources Plc. Independent Oil & Resources Plc is a 38.75% indirect shareholder in NOCO (UK) Ltd. Increased Oil Recovery AS indirectly owns 38.42% in NOCO (UK) Ltd.

NOTE 18 BOND LOANS

AS AT 31 DECEMBER THE GROUP HAD THE FOLLOWING BOND LOANS:

(amounts in USD 1,000)		Average interest rate	Effective interest rate	2021	2020
Gross outstanding	ISIN: NO 001075576.2	6.00%	6.00%	4,620	19,507
Of which Group owns				0	14,887
Book value 31.12.				**4,620**	**4,620**

Split between long term and short term portion of bond loan 31.12.2021:	Long term portion	Short term portion	Total bond loan
ISIN: NO 001075576.2	0	4,620	4,620
Book value 31.12.	**0**	**4,620**	**4,620**

Split between long term and short term portion of bond loan 31.12.2020:	Long term portion	Short term portion	Total bond loan
ISIN: NO 001075576.2	4,620	0	4,620
Book value 31.12.	**4,620**	**0**	**4,620**

There are no pledges or securities on the bonds.
The bond, ISIN: NO 001075576.2, is not listed.
On 22 December 2021 all 14,886,947 bonds owned by the company ("Borrower's Bonds") were deleted.

Bond borrowing is recognised at amortised cost. According to the borrowing agreement Petrolia SE cannot incur mortgage debt, encumbrances, guarantees, right of retention or any other type of mortgage for present or future assets or give any guarantee or compensation, exemptions may, however, be made provided it is in compliance with normal market practice.

Covenants

Petrolia SE cannot, according to the borrowing agreement, pay dividends, purchase own shares or make payment to the shareholders beyond 30% of the Group's profit after taxes for the preceding year, without approval from the lenders. Nor can the Company without approval dispose of or close down a significant part of the enterprise or change the character of its operations.
In addition Petrolia must ensure that the Group maintains an equity ratio (ratio of total equity to total assets) of 40% or higher on each Balance Sheet Reporting Date, which is every half hear ("financial covenant").

The covenant has been met during 2021 and as at 31 December 2021 and is also met as at 28 April 2022.

The outstanding bond of usd 4,620,353 and interest will be repaid upon maturity 21 July 2022 from existing cash. The Bond covenants will thereby no longer be applicable.. The Company will be free to pay dividends, purchase own shares .

NOTE 19 LEASES

GROUP AS LESSEE

The Group has lease contracts in respect of equipment and land & buildings. The leases expire between 1 and 4 years for equipment and between 1 and 7 years for land & buildings. Various extension options are attached.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

(amounts in USD 1,000)	2021	2020
Lease liability		
As at 1 January	**12,422**	**9,158**
Additions	3,311	2,212
Modifications	1,092	4,096
Interest	709	504
Translation difference	-216	-161
Payments	-4,261	-3,387
As at 31 December	**13,057**	**12,422**
Current	3,653	3,084
Non-current	9,404	9,338

Set out below are the carrying amounts of lease liabilities per currency:

(amounts in USD 1,000)	2021	2020
NOK	7,300	6,335
EUR	1,286	776
NZD	120	16
AUD	3,706	4,715
RON	84	23
MYR	193	138
GBP	368	419
As at 31 December	**13,057**	**12,422**

A carrying amount of USD 4.6 million (2020: USD 3.2 million) relates to equipment, and there are no options to extend or terminate. The Group has the option to purchase most of these equipment on maturity of the lease term. The purchase price of option is not included in the lease calculations due to low value, normally one month's lease. The lease term varies from 1 to 4 years and the average discount rate used in the lease calculations is 5% (2020: 5%).

A carrying amount of USD 8.4 million (2020: USD 9.2 million) relates to rental of offices. In most of the rental agreements there are options to extend. The lease term varies from 1 to 7 years and the average discount rate used in the lease calculations is 5% (2020: 5%). For the contracts with options to extend, if the options are assumed to be exercised for the lease term to be until the end of 2026, then the lease liability would have increased by USD 2 million with a corresponding increase in Right of use asset as well.

NOTE 20 TRADE AND OTHER PAYABLES

(amounts in USD 1,000)	2021	2020
Trade payables	5,354	7,161
Total trade payables	**5,354**	**7,161**
Other payables		
Accrued bond interests	124	124
Other current liabilities	5,760	4,467
Total other payables	**5,884**	**4,591**
Total trade and other payables	**11,238**	**11,752**

NOTE 21 BANK LOAN AND OVERDRAFT

Current liabilities (amounts in USD 1,000)	Interest	Maturity	Security	Effective interest rate	2021	2020
Bank loan GBP 50,000	Fixed 0% first year, thereafter 2.5%	June 2026		1.78%	7	0
Bank loan AUD 680,000	Fixed 3.04%	June 2025	Equipment	3.08%	99	104
Total					**106**	**104**

Non-current liabilities (amounts in USD 1,000)	Interest	Maturity	Security	Effective interest rate	2021	2020
Bank loan GBP 50,000	Fixed 0% first year, thereafter 2.5%	June 2026		1.78%	57	68
Bank loan AUD 680,000	Fixed 3.04%	June 2025	Equipment	3.08%	247	370
Total					**304**	**438**

NOTE 22 CAPITAL MANAGEMENT

CAPITAL STRUCTURE AND EQUITY

For the purpose of the Group's capital management, capital includes issued capital, share premium and all the equity reserves attributable to the equity holders of the parent. The main objectives of the Group when monitoring capital are to safeguard the Group's ability to maintain favourable loan terms from the lenders in accordance with the Group's operations. By maintaining a satisfactory debt ratio and meeting its loan covenants, the Group is supporting the current operations and maximising the Group's value accordingly.

The Group is managing the capital structure and making necessary adjustments based on a continuous assessment of the financial conditions that the enterprise is subject to and the present short and medium term prospects. The capital structure is managed through purchase of treasury shares, reduction of share capital, issuing new shares or through dividend policy.

(amounts in USD 1,000)	2021	2020
Equity of majority	37,441	39,307
Bank loan	410	542
Bond loan	4,620	4,620
Leases	13,057	12,422
Trade payables	5,354	7,161
Other payables	5,994	4,684
Less free cash	-15,908	-15,942
Net debt	13,527	13,487
Equity and net debt	50,968	52,794
Debt ratio	27%	26%

NOTE 23 FINANCIAL RISK MANAGEMENT

Financial risk factors and categories of financial instruments

The Group uses financial instruments such as bond loans, bank overdrafts, financial lease and borrowing from related parties. The purpose of these financial instruments is to provide capital for investments necessary for the Group's activities. In addition the Group has financial instruments like trade receivables and trade payables which are directly connected to the current operations of the Group. The Group has no derivative financial instruments, neither for hedging nor trading purposes. Except from the financial assets at fair value, all the financial assets are categorised as loans, receivables and cash and cash equivalent and are measured at amortised cost. In 2021 and 2020 the Group has invested in shares listed on the Oslo Stock Exchange.

Profit and loss effects from financial instruments measured at fair value through profit and loss are disclosed in note 15. Impairment on financial instruments concerns mainly loans to associated company and trade receivables and are disclosed in notes 13 and 14 respectively and under Credit risk below. The Group's activities expose it to a variety of financial risks: credit risk, interest risk, liquidity risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's management is currently monitoring the risk related to credit, interest rate, liquidity and foreign exchange. The Group is subject to a balanced exposure through income and expenses in USD and NOK and financing in USD and NOK. The Group has a fixed rate on the major part of interest bearing liabilities, which limits the cash flow interest rate risk. The credit risk which the Group is exposed to is acceptable.

Credit risk

The Group is primarily exposed to credit risk related to trade receivables, other receivables, loans receivable and cash at bank. The maximum risk exposure is represented by the carrying value of trade receivables and other receivables referred to in note 14, loan receivable shown in note 13 and cash at bank in note 16.

The Group's revenues arise from a limited number of transactions and customers and therefore credit risk is transparent.

Management has assessed the collectability of receivables and do not expect losses other than the expected credit allowance already provided in line with the accounting policy. No expected credit loss was provided for the loan receivable as the associate is in net asset position financially supported by its shareholders to enable it to continue its exploration and production activity and ECL was estimated to be insignificant. Refer also to note 14.

The Group does not hold any collateral as security for its receivables.

The Group assesses, on an individual basis, its exposure to credit risk arising from other receivables. A VAT receivable of USD 1.4 million disputed by the Rumanian authorities was fully impaired in 2017. The case is still in the courts. Management estimated the impairment loss at 31 December 2021 of other receivables to be immaterial.
The Group assesses, on an individual basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions. Management applies the IFRS 9 general approach. Bank balances were assessed as performing (Stage 1). The ECL on bank accounts is considered to be immaterial, as the cash at bank are held with banks with investment grade rating. Management estimated the impairment loss at 31 December 2021 to be immaterial.

Interest rate risk
The Group is exposed to interest rate risk through its financing activities (refer to notes 18, 19 and 21). Part of the interest-bearing liabilities is based on floating rates which imply that the Group is exposed to changes in the interest rate level.

The Group's interest rate risk management aims at reducing the interest expenses and at the same time the volatility of future interest payments is kept within acceptable frames. As at 31.12.2021 the Group's bond and bank loans have fixed interest, while the lease obligations are subject to floating rates of interest.

Sensitivity for changes in interest rate level (amounts in USD 1,000)	Changes in interest rate level in basic items	Impact on result before tax	Impact on equity
2021	+50	16	13
2020	+50	5	4

Further information regarding the interest rate conditions of the Group's financing is given in notes 13, 18, 19 and 21.

Liquidity risk
Liquidity risk is the risk that the Group may not be able to meet its financial liabilities as they fall due. The Group's strategy of handling liquidity risk is to have sufficient liquidity at all times to pay any liability on maturity, in both normal and extraordinary circumstances.

The table below states the maturity profile of the financial liabilities recognised as at 31.12.2021 and 31.12.2020.

As at 31st of December 2021	< 1 year	1-5 years	> 5 years	Total
Trade payables	5,354	0	0	5,354
Bond loans (incl interest)	4,782	0	0	4,782
Leasing (incl interest)	4,034	10,800	389	15,223
Bank loan (incl interests)	118	336	0	454
Other liabilities	5,760	110	0	5,870
Total	**20,048**	**11,246**	**389**	**31,683**

As at 31st of December 2020	< 1 year	1-5 years	> 5 years	Total
Trade payables	7,161	0	0	7,161
Bond loans (incl interest)	277	4,782	0	5,059
Leasing (incl interest)	3,306	10,377	162	13,845
Bank loan (incl interests)	119	497	0	616
Other liabilities	4,591	93	0	4,684
Total	**15,454**	**15,749**	**162**	**31,365**

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NOK. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to exchange rate fluctuations connected to the value of NOK relative to USD due to the fact that the Group has mainly income and operating expenses in USD while parts of the financing and some assets are denominated in NOK.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The table below illustrates the Group's sensitivity related to reasonable changes in the currency rate between USD and NOK. The Group's main exposure to NOK is from the loan receivable amounting to USD 6.6 million (2020: USD 6.4 million) as shown in note 13, cash at bank amounting to USD 7 million (2020: USD 7.8 million) and lease liabilities amounting to USD 7.3 million (2020: USD 6.3 million) as shown in note 19. Changes in other currencies will not have material impact on the profit & loss.

	Changes in the exchange rate of NOK	Impact on result before taxes	Impact on equity
2021	5 %	397	310
	-10 %	-795	-620
2020	5 %	588	460
	-10 %	-1,178	-919

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2021	1 January 2021	Instalment	Translation difference	New lease/ draw down	Interest	31 December 2021
Current / Non-current Bond loan	4,620	0	0	0	0	4,620
Non-current Bank loan	438	-31	-103	0	0	304
Lease liabilities	12,422	-4,261	-216	4,403	709	13,057
Total	**17,480**	**-4,292**	**-319**	**4,403**	**709**	**17,981**

2020	1 January 2020	Instalment	Translation difference	New lease/ draw down	Interest	31 December 2020
Non-current Bond loan	4,620	0	0	0	0	4,620
Non-current Bank loan	0	-119	30	527	0	438
Lease liabilities	9,158	-3,387	-161	6,308	504	12,422
Total	**13,778**	**-3,506**	**-131**	**6,835**	**504**	**17,480**

FAIR VALUE

Except financial assets at fair value through profit or loss and financial assets through OCI, all financial instruments are measured at amortised cost. Fair values of bonds and loans receivable are based on management's estimates by reference to other listed bonds and loans with similar characteristics. The table on the next page shows a comparison of book values and fair values of the bond . The carrying amount of loan receivable approximates its fair value. The carrying value of cash and cash equivalents approximate the fair value owing to the fact that these instruments have short maturity. Correspondingly, the carrying value of the trade receivables and trade payables approximate the fair value as they are established at normal terms and doubtful receivables are impaired by recording impairment loss. The carrying value of financial leases approximate their fair value as they made with third parties and carried interest at floating rates.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group uses fair value through profit and loss only on listed shares. Fair value is determined by the quoted (unadjusted) prices in the market (Level 1). The carrying amount per 31st of December 2021 was USD 162 thousand. The fair value of financial asset through OCI was determined by the prices of recent transactions with 3rd parties (level 2).

COMPARISON OF CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS OTHER THAN THOSE WITH CARRYING AMOUNTS THAT ARE REASONABLE APPROXIMATIONS OF FAIR VALUES:

Bond loan - fair value (Note 18)	2021	2020
Net outstanding, USD 1,000		
Book value	4,620	4,620
Fair value (Level 3)	4,528	4,343
	98%	94%

NOTE 24 RELATED PARTIES

LARSEN OIL & GAS AS (LOG AS) AND INCREASED OIL RECOVERY AS (IOR AS) AND KVER AS

IOR AS is the 100% owner of LOG AS and Kver AS. Mr. Berge Gerdt Larsen, Chairman of the Board has economic interest of 44.95% in IOR AS and is the Chairman of the board in IOR AS and LOG AS.

The Company has an office support agreement with LOG AS. The annual cost coverage was NOK 1.3 million (USD 151,261) in 2021.

The Company has an office lease agreement with Kver AS. Annual office rent is NOK 0.6 million (USD 75,927). In 2021 shared costs amounted to NOK 0.2 million (USD 27,884).

PETROLIA NOCO AS

The Group has granted loans to Petrolia NOCO AS (owned 49.9%). The loans are denominated in NOK and carried an interest rate of 6% and 10% in 2021. The 6% loan was fully repaid in 2021. The 10% loan has maturity date on 10 December 2023 (Note 13). The investment in the associated company is shown in note 12.

MOUNTWEST PETROLEUM LTD.

The group has an office lease agreement with Mountwest Petroleum Ltd. Annual office rent is GBP 51,700 (USD 71,159). Mr. Berge Gerdt Larsen, Chairman of the Board has economic interest in Mountwest Petroleum Ltd.

DIRECTOR FEES

Director fees are shown in note 6.

TIME CRITICAL PETROLEUM AS, INCREASED OIL RECOVERY AS AND INDEPENDENT OIL AND RESOURCES PLC

Refer to note 28 regarding the purchase of the remaining shares in CO2 Management AS. Mr. Berge Gerdt Larsen, Chairman of the Board has economic interest in the companies that sold their shares in CO2 Management AS.

NOTE 25 MATERIAL PARTLY OWNED SUBSIDIARIES

	Independent Oil Tools DOSCO BV The Netherlands		Independent Oil Tools Iraq for General Trading Co. Ltd Iraq		Catch Fishing Services BV The Netherlands	
	2021	2020	2021	2020	2021	2020
Proportion of equity interest held by non-controlling interest	30%	30%	39%	39%	10%	15%
Accumulated balances of material non-controlling interest	1,712	1,590	448	518	60	8
Profit/(loss) allocated to material non-controlling interest	107	91	-70	-454	57	75
Comprehensive income/(loss) allocated to material non-controlling interest	-36	-74	-70	-454	54	75

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss	2021	2020	2021	2020	2021	2020
Revenue	7,717	8,996	12,350	7,363	2,391	2,863
Cost of sales	-5,518	-6,670	-7,712	-4,310	-628	-685
Administrative expenses	-1,594	-1,898	-3,270	-3,407	-1,189	-1,423
Depreciation	-341	-480	-931	-771	0	0
Finance income /(costs)	150	-195	94	-38	-3	-9
Profit before tax	**413**	**-247**	**-78**	**-1,164**	**571**	**745**
Income tax	0	-482	-100	0	0	0
Profit for the year	**357**	**-729**	**-178**	**-1,164**	**571**	**745**
Exchange differences	-475	483	0	0	-27	0
Total comprehensive income	**-119**	**-246**	**-178**	**-1,164**	**544**	
Attributable to non-controlling interest	-36	-74	-70	-454	54	75
Dividends paid to non-controlling interest	0	0	0	0	0	0

Summarised statement of financial position	2021	2020	2021	2020	2021	2020
Current assets	4,302	3,792	5,172	4,986	1,235	1,137
Non-current assets	1,026	1,108	5,385	5,949	0	0
Current liabilities	-379	-398	9,407	9,607	637	1,084
Non-current liabilities	0	0	0	0	0	0
Total equity	**5,708**	**5,298**	**1,150**	**1,328**	**597**	**53**
Attributable to:						
- Equity holders of parent	3,996	3,708	701	811	537	45
- Non-controlling interest	1,712	1,590	448	518	60	8

NOTE 26 INVENTORIES

(Amounts in USD 1,000)	2021	2020
Spare parts (at lower of cost and net realisable value)	99	149
Finished goods (at lower of cost and net realisable value)	1,834	1,721
Total inventories	**1,933**	**1,870**

Finished goods represent OilService equipment held for sale.

NOTE 27 OPERATING ENVIRONMENT OF THE GROUP

The activity of the group is closely correlated to the oil price and events affecting supply and/or demand, and thus price, will affect the Group's activity level.

NOTE 28 BUSINESS COMBINATIONS

Petrolia SE has acquired outstanding 71.5% of associated company CO2 Management AS. The company is the primary vehicle for developing new business opportunities under Petrolia's Decarbonisation Strategy.

The purchase price was identical to the price in the latest capital increase in CO2 MANAGEMENT AS in March 2020. Total consideration was NOK 3.7 million (USD 439 thousand). The sellers were related parties Time Critical Petroleum AS (26.2%), Increased Oil Recovery AS (26.2%) and Independent Oil and Resources PLC (19.2%).

ASSETS (Amounts in USD 1,000)	Fair value recognised on acquisition
OilService and other equipment	8
Other financial assets	178
Deferred tax assets	143
Other current receivables	2
Free cash	89
Restricted cash	15
TOTAL ASSETS	**435**
Other current liabilities	-170
Total identifiable net assets at fair value	**265**
Non-controlling interest measured at fair value	190
Purchase consideration transferred	439
Goodwill arising on acquisition	249

NOTE 29 EVENTS AFTER THE REPORTING PERIOD

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarus government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

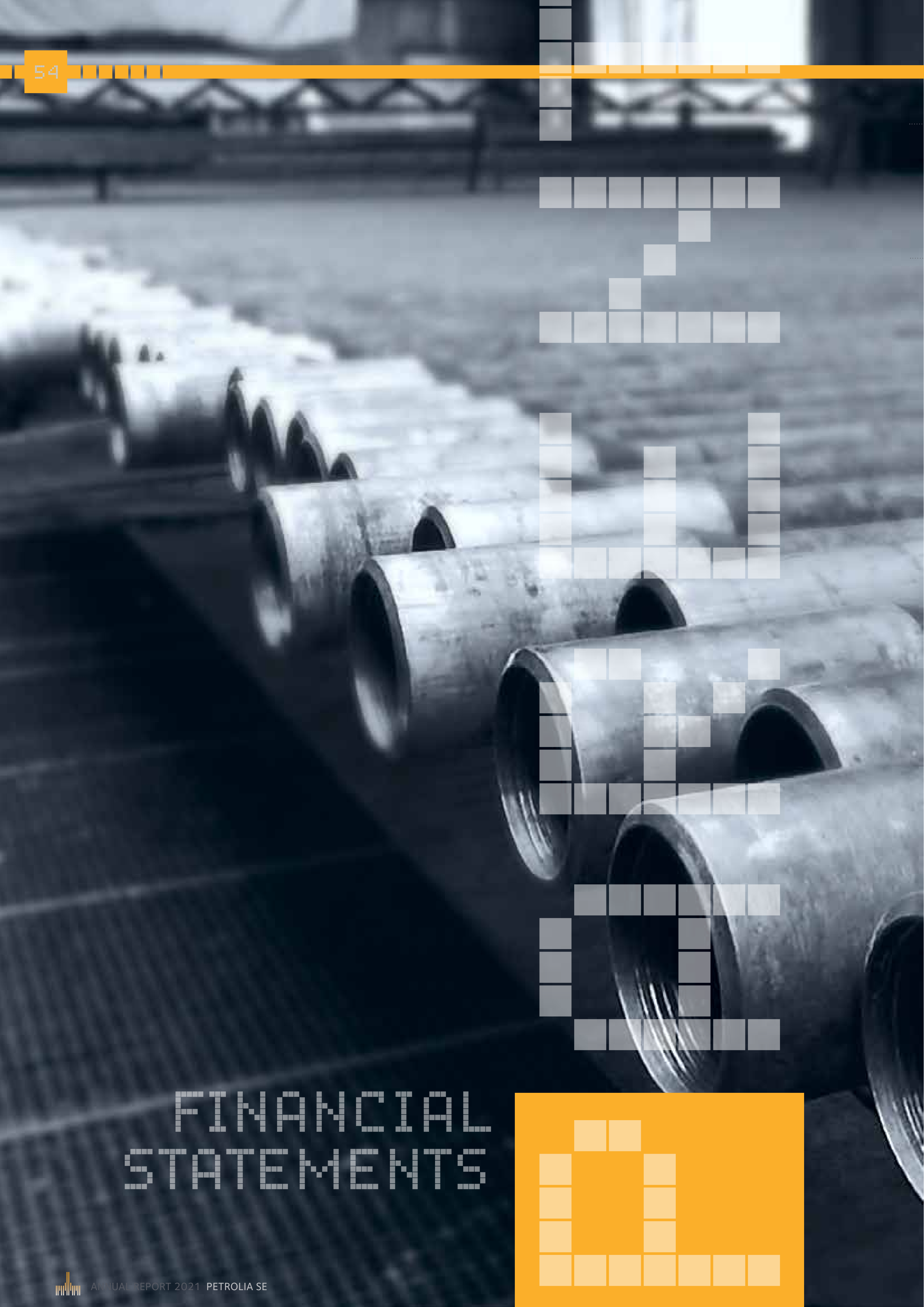
The impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Group's profitability position. The event is not expected to have an immediate negative material impact on the business operations. Management will continue to monitor the situation closely.

There have been no other significant events after the balance sheet date.



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Petrolia SE - Parent Company - 31 December 2021

PETROLIA SE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 December 2021

	Note	2021 USD 000	2020 USD 000
Revenue from contracts with customers	7	**134**	152
Administration expenses		**(1.396)**	(1.376)
Operating loss	8	**(1.262)**	(1.224)
Finance income	10	**250**	8
Finance costs	10	**(558)**	(282)
Reversal of impairment on investments in subsidiaries companies - net	12	**3.902**	11.993
(Impairment charge)/reversal of impairment on investments in associates	13	**(389)**	199
Reversal of expected credit loss on receivables from related parties	15	**100**	-
Profit before tax		**2.043**	10.694
Tax	11	**-**	-
Net profit for the year		**2.043**	10.694
Total comprehensive income for the year		**2.043**	10.694

PETROLIA SE

STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	2021 USD 000	2020 USD 000
ASSETS			
Non-current assets			
Right-of-use assets	17	**129**	187
Investments in subsidiaries	12	**44.058**	40.156
Investments in associates	13	**271**	660
Restricted cash	16	**36**	43
Loan receivable from associate	14	**6.595**	-
		51.089	41.046
Current assets			
Trade and other receivables	15	**526**	4.400
Cash at bank	18	**1.929**	86
		2.455	4.486
Total assets		**53.544**	45.532
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**5.913**	5.913
Share premium		**12.222**	12.222
Merger reserve		**67.093**	67.093
Accumulated losses		**(39.170)**	(45.024)
Total equity		**46.058**	40.204
Non-current liabilities			
Borrowings	20	**-**	4.620
Lease liabilities	17	**69**	125
		69	4.745
Current liabilities			
Trade and other payables	21	**2.611**	397
Borrowings	20	**4.744**	124
Lease liabilities	17	**62**	62
		7.417	583
Total liabilities		**7.486**	5.328
Total equity and liabilities		**53.544**	45.532

On 28 April 2022, the Board of Directors of Petrolia SE authorised these financial statements for issue.

Polycarpos Protopapas
Board member
Managing director

Sjur Storaas
Board member

Berge Gerdt Larsen
Chairman of the Board

George Hadjineophytou
Board member

Sølve Nilsen
Finance manager

PETROLIA SE

STATEMENT OF CHANGES IN EQUITY
31 December 2021

	Share capital USD 000	Share premium USD 000	Merger reserve USD 000	Accumulated losses USD 000	Total USD 000
Balance at 1 January 2020	**5.913**	**12.222**	**67.093**	**(55.718)**	**29.510**
Comprehensive income					
Profit for the year / Total comprehensive income for the year	-	-	-	10.694	10.694
Balance at 31 December 2020/ 1 January 2021	**5.913**	**12.222**	**67.093**	**(45.024)**	**40.204**
Comprehensive income					
Profit for the year / Total comprehensive income for the year	-	-	-	2.043	2.043
	5.913	**12.222**	**67.093**	**(42.981)**	**42.247**
Transactions with owners					
Effect of tax contributions with Group subsidiaries in Norway	-	-	-	3.811	3.811
Balance at 31 December 2021	**5.913**	**12.222**	**67.093**	**(39.170)**	**46.058**

PETROLIA SE

STATEMENT OF CASH FLOWS
31 December 2021

	Note	2021 USD 000	2020 USD 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2.043**	10.694
Adjustments for:			
Depreciation of right-of-use assets	17	**61**	-
Net exchange loss/(gain)	10	**269**	(7)
Reversal of impairment - investments in subsidiaries	12	**(3.902)**	(11.993)
Impairment charge/(reversal of impairment) - investments in associates	13	**389**	(199)
Reversal of expected credit loss on receivables from related parties	15	**(100)**	-
Interest income	10	**(250)**	(1)
Interest expense	10	**285**	277
		(1.205)	(1.229)
Changes in working capital:			
Decrease in trade and other receivables		**7.523**	1.233
Increase in trade and other payables		**2.215**	58
		9.738	1.291
Net cash generated from operating activities		**8.533**	62
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted	14	**(8.226)**	-
Loans repayments received	14	**1.784**	-
Interest received		**89**	1
Net cash (used in)/generated from investing activities		**(6.353)**	1
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of leases liabilities		**(59)**	-
Decrease in restricted cash		**7**	-
Interest paid		**(285)**	(277)
Net cash used in financing activities		**(337)**	(277)
Net increase/(decrease) in cash and cash equivalents		**1.843**	(214)
Cash and cash equivalents at beginning of the year		**86**	300
Cash and cash equivalents at end of the year	18	**1.929**	86

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

1. Incorporation and principal activities

Country of incorporation

Petrolia SE (the "Company") was incorporated in Cyprus on 9 August 2011 as a limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at Christodoulou Chatzipavlou 205, Louloupis court, 4th Floor, Office 401, 3036, Limassol, Cyprus.

Change of Company name

On 17 November 2011, the Company changed its name from Petrolia E&P Holdings Limited to Petrolia E&P Holdings Plc. Following a shareholders' plan to re-domicile to Cyprus that was approved on 30 December 2011, Petrolia ASA merged ("cross-border merger") with Petrolia E&P Holdings Plc ("surviving entity") and the latter was at the same time converted into a European public company limited by shares ("Societas Europaea" or "SE") in accordance with Article 2 no. 1 of the European Council Regulation no. 2157/2001 (the "SE Regulation") and Section 5 of the Norwegian Act on European Companies of 1 April 2005 (the "SE Act").

Following the completion of the cross-border merger on 26 October 2012 and the creation of Petrolia E&P Holdings SE, the Company on 28 January 2013 changed its name to Petrolia SE.

The Company's shares are listed on the Oslo Stock Exchange (Ticker: "PSE"). On 21 September 2018, the Company changed its ticker name from "PDR" to "PSE".

Principal activities

The principal activities of the Company, which are unchanged from prior year, are the financing of group companies and the holding of investments in subsidiaries and associates engaged in two business segments: Energy and Energy Service. The core activities include a subsidiary company, a well-established international oil service company.

2. Basis of preparation

These parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention. The notes to the consolidated financial statements provide additional information to the parent company financial statements. The accounting policies applied to the Group accounts have also been applied to the parent company, Petrolia SE. The parent company financial statements should be read in conjunction with the consolidated financial statements. Investments in subsidiaries and associates are carried at cost less impairment in these separate financial statements. In case of impairment, the investment is written down to its recoverable amount. The Company's functional currency is US dollars (USD) and the financial statements are presented in USD, rounded to the nearest thousand.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

Revenue

Recognition and measurement

Revenue shall be recognised in such a way to depict the transfer of services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those services to the customer; the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

Revenue from contracts with customers (in writing, orally or in accordance with other customary business practices) is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

- **Management and consultancy fees**

  Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the annual or monthly fee based on the contract and the period for which the Company has provided services to subsidiaries, group subsidiaries and associate company.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

Dividend income

Dividends are received from investments in subsidiaries and associates. Dividends are recognised as dividend income in profit or loss when the right to receive payment is established.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (USD 000), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Leasing

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

Leasing (continued)

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, in accordance with the depreciation accounting policy on property, plant and equipment. The estimated useful lives of buildings is 33 years from the date of construction. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase obligation or a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment testing in the same manner as other non financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term i.e. the non-cancellable period of the lease including reasonably certain to exercise extension or termination options. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, reasonably certain to be exercised by the Company, and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term leases and leases of low value assets

The Company applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low value lease recognition exemption in respect of miscellaneous assets. Lease payments on short term and low value leases are recognised as expense on a straight-line basis over the lease term.

The Company does not act as a lessor in any transaction.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period to its net carrying amount.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

(i) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, cash at bank and loans receivable.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial assets - Impairment - credit loss allowance for ECL

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company applies the simplified approach for trade and other receivables and general approach for bank deposits in relation to the calculation of ECLs. In particular for trade and other receivables that are due within twelve months, the 12 month ECLs are the same as the lifetime ECLs. By using the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. In relation to trade and other receivables, in order to measure the expected credit losses, the Company measured the historical loss rates based on the payment profiles of revenue, the historical loss rates are adjusted to reflect forward looking factors specific to the receivables and the economic environment affecting the ability of the customers to settle the receivables.

In relation to the loans due from related parties and amounts receivable from related parties, management has completed some high level analysis, which considers both historical and forward looking qualitative and quantitative information, to determine if a related party loan and balance is low credit risk at 31 December 2021. Management has considered the financial performance and financial position as well as the remaining term of the loans, and whether the related parties will have sufficient cash throughout that period to meet all of their working capital and other obligations, including repayment of the related party balances. Management does not expect that there will be adverse changes in economic and business conditions during that period. Consequently, management has determined that the loans and amounts receivable from related parties, are low credit risk, falls within 'stage 1' of IFRS 9's impairment model, and 12 month expected credit losses can be calculated.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

Financial assets (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

(ii) Financial liabilities - measurement categories

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

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

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

4. Significant accounting policies (continued)

(iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Non-current liabilities

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

5. New accounting pronouncements

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

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

6. Critical accounting estimates and judgments (continued)

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Impairment of investments in subsidiaries**

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that an investment may be impaired, the estimated recoverable amounts of these investments would be compared to their carrying amounts to determine if a write-down to a recoverable amount is necessary.

- **Impairment of financial assets - allowance for credit losses on loan receivable and amounts receivable from related parties**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. In relation to the loans and amounts due from related parties, in order to calculate the ECL, the Company applied the 12 month ECL model and the general approach. In determining the recoverability of the loans and amounts due from related parties, the Company considered the historic repayments made in conjunction with the parties' financial position at year end and their ability to make future repayments based on their current and expected future trading activities.

7. Revenue from contracts with customers

The Company derives its revenue from contracts with customers for the transfer of services over time as follows:

Disaggregation of revenue	**2021**	2020
	USD 000	USD 000
Management fees (Note 22.2)	**9**	7
Consultancy fees (Note 22.3)	**125**	145
	134	152

8. Operating loss

	2021	2020
	USD 000	USD 000
Operating loss is stated after charging the following items:		
Depreciation of right-of-use assets (Note 17)	**61**	-
Directors' fees (Note 22.1)	**92**	106
Staff costs (Note 9)	**590**	660
Auditors' remuneration - current year	**163**	152
Auditors' remuneration for other non-audit services	**3**	8
Auditors' remuneration - prior years under provision	**3**	12
Legal and professional	**3**	34

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

9. Staff costs

	2021 USD 000	2020 USD 000
Salaries	**536**	638
Wages	**50**	13
Social security costs	**4**	9
	590	660

The average number of employees during the year was 4 (2020: 4).

10. Finance income/(costs)

	2021 USD 000	2020 USD 000
Loan interest income (Note 14)	**249**	-
Other interest income	**1**	1
Net foreign exchange gains	**-**	7
Finance income	**250**	8
Net foreign exchange losses	**(269)**	-
Interest expense on lease liabilities (Note 17)	**(8)**	-
Interest expense on borrowings	**(277)**	(277)
Sundry finance expenses	**(4)**	(5)
Finance costs	**(558)**	(282)
Net finance costs	**(308)**	(274)

11. Tax

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2021 USD 000	2020 USD 000
Profit before tax	**2.043**	10.694
Tax calculated at the applicable tax rates	**256**	1.337
Tax effect of expenses not deductible for tax purposes	**74**	44
Tax effect of allowances and income not subject to tax	**(497)**	(1.527)
Tax effect of tax loss for the year	**57**	67
Tax effect of loss from branch	**110**	79
Tax charge	**-**	-

The Company is resident in Cyprus for tax purposes.

Interest income is subject to Income Tax at the standard rate of 12,5% if the interest is considered to be generated in the ordinary carrying on of a business or closely connected to it. If the interest income is neither generated in the ordinary carrying on of a business nor closely connected to it, it is subject to Defence Tax at a rate of 30% (15% up to 28 April 2013).

Dividends received from a non-resident (foreign) company are exempt from Defence Tax if the dividend paying company derives more than 50% of its income directly or indirectly from activities which do not lead to investment income or the foreign tax burden on the profit to be distributed as dividend has not been substantially lower than

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

11. Tax (continued)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends distribution. Profits and to the extent that these are attributable to shareholders, who are not tax resident of Cyprus and own shares in the Company either directly and/or indirectly at the end of two years from the end of the tax year to which the profits relate, are exempted. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The Company's Branch in Norway (the "Branch") is subject to income tax at the rate of 22% (2020: 22%) on the tax profits realized in Norway. The Branch under current legislation may carry forward the balance of tax losses indefinitely in the future. The Company's tax losses in Cyprus amounts to USD 2.831 and can be carried forward for 5 years. No deferred tax asset has been recognised as it is not expected that future taxable profits will be available to be utilised.

12. Investments in subsidiaries

	2021 USD 000	2020 USD 000
Balance at 1 January	**40.156**	28.766
Reversal of impairment - net	**3.902**	11.993
Group contribution impact	**-**	(603)
Balance at 31 December	**44.058**	40.156

The details of the subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**2021 Holding %**	2020 Holding %	**2021 USD 000**	2020 USD 000
Petrolia AS (1)	Norway	Holding company of IOT Group - oil service	**100**	100	**43.577**	39.593
Petrolia Tool Pool AS	Norway	Holding company	**100**	100	**17**	17
Venture Drilling AS (2)	Norway	Oil Service	**100**	100	**199**	199
Independent Oil Tools International (Cyprus) Ltd (3)	Cyprus	Dormant	**100**	100	**265**	347
					44.058	40.156

The Company performs an impairment assessment of its subsidiaries when there are indicators for impairment or reversal of impairment in accordance with the relevant accounting standard.

(1) As at 31 December 2021 a reversal of impairment of USD 3.984 thousand was recognized (2020: reversal of impairment USD 14.299 thousand). The accumulated impairment as at 31 December 2021 is USD 81.234 thousand (2020: USD 85.218 thousand). Petrolia AS is the holding company of the oil service sub-group. Management notes that following the uncertainty of Covid-19 and low oil prices, the market conditions are now more favourable, internal reporting indicates that the economic performance of the oil service sub-group has been improved in 2021 and will be further improved compared to prior years and net assets of the investee is higher compared to the carrying amount. All the above, are indicators of reversal of impairment and therefore the Company compared the carrying amount with the recoverable amount. The reversal of impairment was estimated by using the discounted cash flow model for a period of 5 years with an exit price. The discounted cash flow calculations included the following main inputs and assumptions:

- EBIDTA for 2022 as per the investee's approved budget, followed by annual increase of 2,5%
- Capital expenditure is based on historic averages
- Exit price using an EV/EBITDA multiple of 12,3 based on publicly industry available information

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

12. Investments in subsidiaries (continued)

- Discount rate of 10,6%

The following sensitivity analysis has been performed by management as at the year-end:

- A decrease in projected EBITDA rates of 10% would result in USD 6.681 thousand impairment whereas an increase in projected EBITDA rates of 5% would result in USD 9.315 thousand reversal of impairment

- A decrease of the EV/EBITDA multiple to 11,3 would result in USD 3.200 thousand less reversal of impairment; and

- An increase in the discount rate of 1% would result in USD 2.327 thousand less reversal of impairment.

(2) During 2021, the Company did not identify any impairment indicators on Venture Drilling AS. In prior year, the Company recognised an impairment charge of USD 1.552 thousand. The accumulated impairment as at 31 December 2021 is USD 48.010 thousand (2020: USD 48.010 thousand). Venture Drilling AS is the holding company of the land rigs owned by the Group. Management has based its impairment assessment on the net assets and financial performance of the investee and concluded that there is not impairment indicators based on net assets and no indicators for reversal of impairment based on the financial performance of the investee.

(3) As at 31 December 2021, impairment of USD 82 thousand (2020: USD 696 thousand) was recognised. The accumulated impairment as at 31 December 2021 is USD 13.334 thousand (2020: USD 13.252 thousand). The company is dormant, and management has based its impairment assessment on the net assets of the investee which considered to be a closed approximation of its fair value less cost to disposal.

Total net reversal of impairment for the year amounted to USD 3.902 thousand (2020: net reversal of impairment USD 11.993 thousand). Total accumulated impairment as at 31 December 2021 amounted to USD162.627 thousand (2020: USD166.529 thousand).

13. Investments in associates

The details of the investment are as follows:

	2021	2020
	USD 000	USD 000
Balance at 1 January	**660**	461
(Impairment charge)/reversal of impairment	**(389)**	199
Balance at 31 December	**271**	660

The details of the investment are as follows:

Name	**Country of incorporation**	**Principal activities**	**2021 Holding %**	2020 Holding %	**2021 USD 000**	2020 USD 000
Petrolia Noco AS	Norway	Oil & Gas	**12,44**	13,53	**271**	660
					271	660

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

13. Investments in associates (continued)

During the year 2020, the investment in Petrolia Noco AS has increased its capital by the issuance of additional share capital. The associate has completed a share rights issue where 11.812.928 shares have been issued at a price of NOK 3,50 per share. Petrolia SE has not participated in the purchase of additional shares but 5.894.651 shares were allocated to Petrolia AS, a 100% subsidiary of Petrolia SE and therefore its shareholding decreased from 14.84% to 13.53%. However, it has exercised significant influence through participating in the financial and operating policy decision of the investee (Petrolia Noco AS) through its common director Berge Gerdt Larsen and Sjur Storaas who remain on the board of directors of both companies, the Parent (Petrolia SE) and associate (Petrolia Noco AS).

During 2021, the investment in Petrolia Noco AS has increased its capital by the issuance of additional share capital. The associate has completed a private placement issue where 11.700.000 have been issued at a price of NOK 3,70 per share. Petrolia SE has not participated in the purchase of additional shares therefore Petrolia SE shareholding decreased from 13,53% to 12,44%.

The Company compared the carrying amount of the investment with the recoverable amount and estimated impairment. The impairment was estimated to USD 389 thousand (2020: reversal of impairment of USD 199 thousand) by reference to the net assets of the associate. The accumulated impairment as at 31 December 2021 amounted to USD 25.387 thousand (2020: USD24.998 thousand).

Through its subsidiaries the Company controls 49,9% (2020: 49,9%) of the shares of Petrolia NOCO AS.

14. Loan receivable from associate

	2021 **USD 000**	2020 USD 000
Balance at 1 January	**-**	-
Loans granted	**8.226**	-
Principal repayments	**(1.784)**	-
Interest income (Note 10)	**249**	-
Interest received	**(89)**	-
Exchange differences	**(7)**	-
Balance at 31 December	**6.595**	-

On 14 May 2020, Petrolia Noco AS (borrower) and Independent Oil & Resources Plc (lender and security agent) have signed a new loan agreement. According to the loan agreement, the borrower can enter into any additional loans with any additional lender by entering into an accession letter, provided that 10 days prior notice is given to the lender and the security agent. During 2021, Petrolia SE through its branch Petrolia NUF (additional lender) has provided a loan to Petrolia Noco AS amounting in NOK 71.750.000 (USD 8.225.838). The loan bears interest of 10 % p.a. and is repayable by 10 December 2023. The loan was provided to the borrower into three instalments on 20 July 2021, on 8 October 2021 and on 22 October 2021 respectively. On 1 November 2021, Petrolia Noco AS has repaid the amount of NOK 15.000.000 (USD 1.783.860) to the lender. Total interest income for the year amounted to NOK 2.154.452 (USD 248.813).

The loan is repayable as follows:

	2021 **USD 000**	2020 USD 000
Between one and five years	**6.595**	-

Loan is denominated in NOK.

Refer also to Note 13 to the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

15. Trade and other receivables

	2021	2020
	USD 000	USD 000
Trade receivables	**5**	61
Receivables from related parties (Note 22.4)	**131**	3.967
Deposits and prepayments	**11**	8
VAT refundable	**379**	364
	526	4.400

For the amounts receivable from related parties, the Company has applied the 12 month ECL model and the general approach and recognized a reversal of the expected credit loss on the receivables related balance of USD100 thousand (Note 22.4).

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

16. Restricted cash

	2021	2020
	USD 000	USD 000
Bank deposits	**36**	43
Less non-current portion	**(36)**	(43)
Current portion	**-**	-

Refer also to Note 16 to the consolidated financial statements.

17. Leases

The Company has an office rental agreement with a lease term until 31 December 2023, with options to extend. Management exercises judgement in determining whether it is reasonably certain to continue to use the premises for additional periods and concluded that it is not reasonably certain to extend the lease term at this stage. Therefore management has not taken into account any additional optional periods in the lease calculations. The incremental borrowing rate used in the calculation was 5%. The addition of one more year in the lease calculations will result in an increase in Right of use asset and lease liability by USD 59 thousand whereas the addition of two years USD 115 thousand. Any decrease or increase in the incremental borrowing rate would not have any significant impact on the carrying amounts of right of use asset and lease liability.

Set out below are the carrying amounts of right of use assets recognised and the movements during the year:

Right of Use Asset:

	2021	2020
	USD 000	USD 000
Balance at 1 January	**187**	-
Additions in the year	**-**	187
Depreciation charged for the year (Note 8)	**(61)**	-
Exchange differences	**3**	-
Balance at 31 December	**129**	187

Set out below are the carrying amounts of lease liabilities and the movements during the year:

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

17. Leases (continued)

Lease liability

	2021 USD 000	2020 USD 000
Balance at 1 January	**187**	-
Additions in the year	**-**	187
Repayments	**(67)**	-
Interest expense (Note 10)	**8**	-
Exchange differences	**3**	-
Balance at 31 December	**131**	187
Less current portion	**(62)**	(62)
Non-current portion	**69**	125

18. Cash at bank

Cash balances are analysed as follows:

	2021 USD 000	2020 USD 000
Cash at bank	**1.929**	86
	1.929	86

19. Share capital

	2021 Number of shares	2021 USD 000	2020 Number of shares	2020 USD 000
Authorised				
Ordinary shares of USD1 each	**272.358.670**	**27.236**	272.358.670	27.236
Issued and fully paid				
Balance at 1 January	**59.133.786**	**5.913**	59.133.786	5.913
Balance at 31 December 2021	**59.133.786**	**5.913**	59.133.786	5.913

Refer also to Note 17 to the consolidated financial statements.

20. Borrowings

	2021 USD 000	2020 USD 000
Current borrowings		
6% Callable bond loan - principal and interest due, not yet paid	**4.744**	124
Non-current borrowings		
6% Callable bond loan - principal	**-**	4.620
Total	**4.744**	4.744

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

20. Borrowings (continued)

Maturity of borrowings:

	2021	2020
	USD 000	USD 000
Within one year	**4.744**	124
Between one and five years	**-**	4.620
	4.744	4.744

Refer also to Note 18 to the consolidated financial statements.

21. Trade and other payables

	2021	2020
	USD 000	USD 000
Trade payables	**56**	44
Social insurance and other taxes	**86**	96
Accruals	**155**	105
Payables to own subsidiaries (Note 22.5)	**146**	152
Payables to related parties or subsidiaries (Note 22.5)	**2.168**	-
	2.611	397

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

22. Related party transactions

The following transactions were carried out with related parties:

22.1 Directors' remuneration (Note 8)

The remuneration of Directors was as follows:

	2021	2020
	USD 000	USD 000
Directors' fees	**92**	106
	92	106

22.2 Management fees charged to related parties (Note 7)

		2021	2020
	Nature of transactions	**USD 000**	USD 000
Subsidiaries and sub-subsdiaries	Trade	**9**	7
		9	7

22.3 Consultancy fees charged to related parties (Note 7)

		2021	2020
	Nature of transactions	**USD 000**	USD 000
Petrolia Noco AS	Trade	**125**	145
		125	145

PETROLIA SE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

22. Related party transactions (continued)

22.4 Receivables from related parties (Note 15)

Name	Nature of transactions	**2021 USD 000**	2020 USD 000
IO & R Ltd	Finance	**9**	8
Venture Drilling AS	Finance	**-**	3.387
Petrolia Invest AS	Finance	**122**	572
		131	3.967

The receivables from related parties are interest free, and there have no specified repayment date.

The accumulated ECL provisions were made in accordance with the relevant accounting policy. During the year the company reversed ECL from receivables from related parties of USD 100 thousand. The accumulated ECL for the year amounted to USD 1.392 thousand (2020: USD 1.492 thousand).

Movement of Accumulated Impairment:

	2021 USD 000	2020 USD 000
Balance at 1 January	**1.492**	1.492
Reversal of impairment for the year	**(100)**	-
Balance at 31 December	**1.392**	1.492

22.5 Payables to related parties (Note 21)

Name	Nature of transactions	**2021 USD 000**	2020 USD 000
Independent Oil Tools International (Cyprus) Ltd	Finance	**146**	152
Petrolia Drilling Limited	Finance	**2.168**	-
		2.314	152

The payables to related parties are provided interest free, and have no specified repayment date.

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2021.

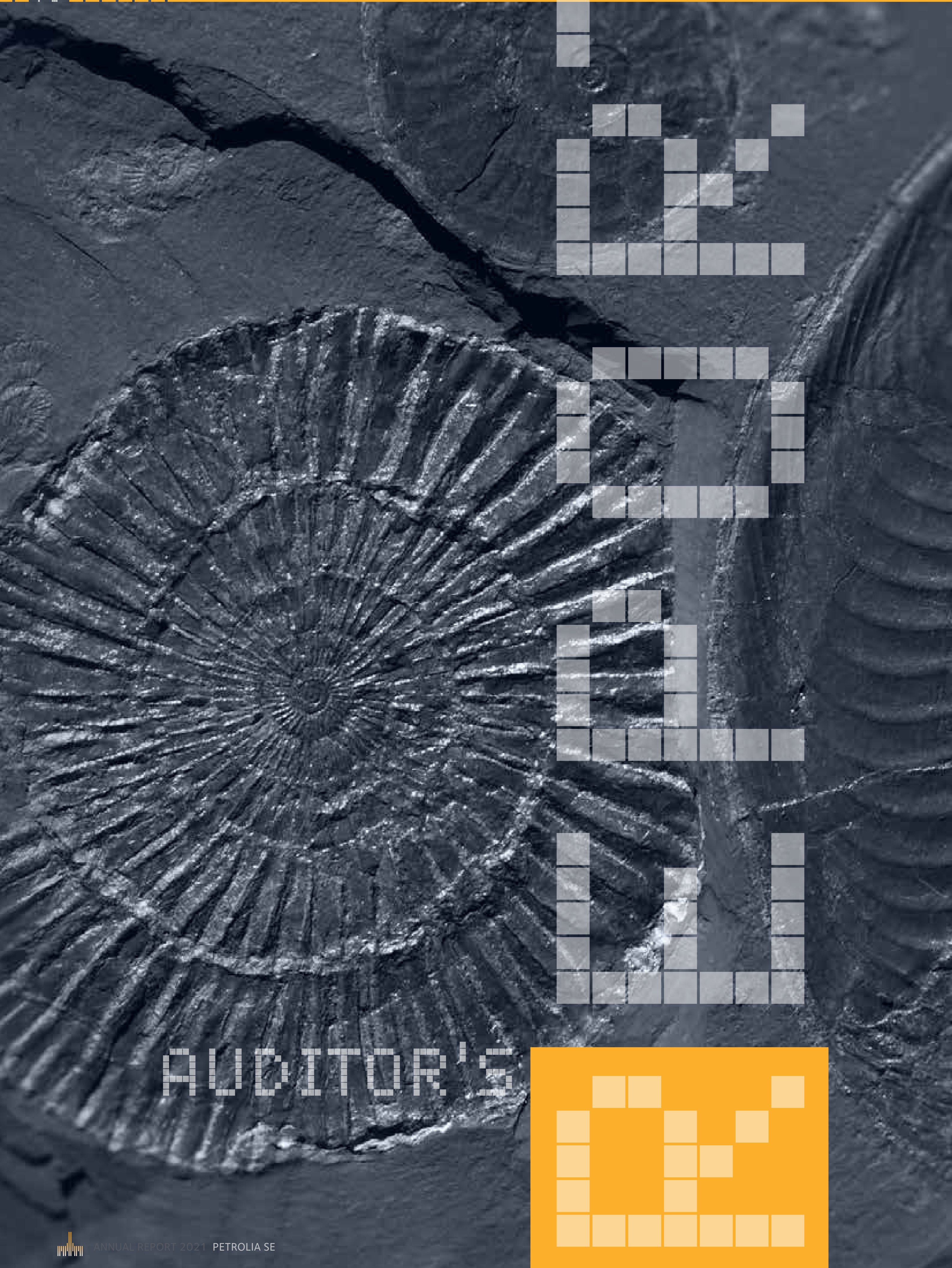
24. Commitments

The Company had no capital or other commitments as at 31 December 2021.

25. Events after the reporting period

Refer also to Note 29 to the Consolidated financial statements.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.



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Building a better working world

Independent Auditor's Report

To the Members of Petrolia SE

Report on the Audit of the Consolidated Financial Statements and the Separate Financial Statements of Petrolia SE

Opinion

We have audited the accompanying consolidated financial statements of Petrolia SE and its subsidiaries (the "Group"), and the separate financial statements of Petrolia SE (the "Company"), which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and notes to the consolidated and the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Recoverability of investments in subsidiaries, impairment of oil service and other equipment and recoverability of trade receivables

Recoverability of investments in subsidiaries (Parent Company only)

The key audit matter

Investments in subsidiaries represent 82% of the Company's total assets. An analysis of the investments in subsidiaries is presented in note 12 to the Company's separate financial statements. The most significant subsidiaries operate in the energy service industry, an industry which during 2020 due to the Covid-19 pandemic witnessed a severe impact, with decrease in crude oil demand due to lower consumption in various parts of the world, thus forcing several companies to either suspend or reduce investment in projects. Although the energy industry has shown signs of recovery since the end of 2020 and continued within 2021, the industry still faces significant challenges from the volatility of oil prices, the geopolitical developments and several other factors. Changes in market conditions and the financial performance of investees may trigger indications for impairment or reversal of impairment previously recognized. Management's assessment of the recoverable amount of investments in subsidiaries requires estimation and judgement around assumptions used. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting both potential impairment charges and potential reversals of impairment recorded in prior years.

Due to the significant balances of the investments in subsidiaries and the estimation uncertainty involved in the assessment of their recoverable amount, we have considered this area as a key audit matter.

How the matter was addressed in our audit

In this area, among others, we considered management's identification of indicators of impairment or reversal of impairment. We also assessed the methodology used by management to estimate the recoverable amount of each investment and considered its consistency with International Financial Reporting Standards. We analyzed the key assumptions used in management's estimates of the recoverable amount of each subsidiary, such as its profitability and financial position, future cash flows and discount rates and we assessed whether the recoverable amount is within an acceptable range. In doing so, in certain cases, we involved our internal valuation specialists. We also performed sensitivity analysis by stressing the key assumptions used in the management's financial model and we checked the mathematical accuracy in the relevant calculations. We finally evaluated the relevance of the Company's disclosures regarding the impairment assessment of its investments in subsidiaries and their recoverability.

Impairment of oil service and other equipment (consolidated financial statements only)

The key audit matter

Oil service and other equipment represent 19% of the Group's total assets. The history of recent losses, the different locations in which the Group operates and the volatility of oil prices during the year has resulted in an indication of impairment of oil service and other equipment. On the other hand, following a challenging year, there was an increase in the oil prices during the year 2021 which continues as of the date of our report. For these reasons, the Group subjected the various cash-generating units to which oil service and other equipment belong, to an impairment test. The latter involves estimating the recoverable amount by calculating assets' value in use based on discounted cash flow model.

These impairment tests were significant for our audit, since the recoverable amount estimation process is complex and highly subjective and is based on various assumptions. The Group provides details on the impairment tests in note 11 to the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included, among others, an assessment of the assumptions and methods used in the impairment testing of oil service and other equipment at subsidiary level. In doing so, in certain cases, we involved our internal valuation specialists. Our evaluation was focused on the principal assumptions used, such as the discount rate, the expected trend in turnover, operating expenses and capital expenditure and compared them against available external market and industry data, historical data and internal budgets. We also considered the identification of cash generating units subjected to impairment testing in respect of their oil service and other equipment. In addition, we have tested the mathematical accuracy of the impairment charge recognized in the year. Further, we assessed the adequacy and completeness of the Group's disclosures as regards the impairment testing.

Building a better working world

Recoverability of trade receivables (consolidated financial statements only)

The key audit matter

Trade receivables represent 15% of the total Group assets and as at 31 December 2021 the accumulated allowance for expected credit losses ("ECLs") amounted to US$13.3m. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by both Group and local management.

The determination as to whether a trade receivable is collectable involves management judgement. Key judgements and estimates in respect of the timing and measurement of ECLs include:

- The use of provision matrix to calculate ECLs, determining the provision rates based on days past due;
- The use by management of this information to determine whether an additional loss allowance for ECL is required for an individual customer balance;
- Adjusting historical credit loss experience with forward-looking information, mainly taking into account the projected oil prices.

We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved. The accounting policy for provisions for ECLs of trade receivables is described in Note 2.3 and further analyzed in Notes 3, 14 and 23 to the consolidated financial statements.

How the matter was addressed in our audit

We focused on an assessment of the assumptions used to calculate the allowance of credit losses on trade receivables, notably through detailed analyses of the provision matrix for the collective assessment and the individual customer balances determined to be assessed individually, evaluating the reasonability of ECL rates and loss patterns, including forward-looking information, combined with comparing to supporting documentation and where applicable to third party evidence. We also performed recalculations of ECLs. In our trade receivable ECLs evaluation, we also considered the results from other audit procedures such as the testing of a sample of sales transactions to supporting documents, obtaining trade receivable confirmations and performing subsequent receipts testing of bank payments by customers. Furthermore, we assessed the appropriateness and completeness of the presentation and disclosures of trade receivables and related ECLs in line with the requirements of IFRS 9.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Responsibility Statement, Management Report, the Board of Directors' report on Corporate Social Responsibility and the Board of Directors' report on Corporate Governance, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Separate Financial Statements

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to

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cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

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Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files of the European Single Electronic Format (ESEF) of Petrolia SE for the year ended 31 December 2021 comprising the XHTML file which includes the consolidated and separate financial statements for the year then ended and XBRL files with the marking up carried out by the entity on the consolidated statement of financial position at 31 December 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and all disclosures made in the consolidated financial statements or made by reference to other parts of the annual financial report for the year ended 31 December 2021 corresponding to the items in Table 1 of Annex II (the "digital files") of the EU Delegation Regulation 2019/815 of 17 December 2018 of the European Commission, as amended from time to time (the "ESEF Regulation").

The Board of Directors of Petrolia SE is responsible for preparing and submitting the consolidated and separate financial statements for the year ended 31 December 2021 in accordance with the requirements set out in the ESEF Regulation.

Our responsibility is to examine the digital files prepared by the Board of Directors of Petrolia SE in accordance with the Audit Guidelines issued by the Institute of Certified Public Accountants of Cyprus (the "Audit Guidelines"). These Audit Guidelines require us to plan and perform our audit procedures in order to examine whether the content of the consolidated and separate financial statements included in the digital files correspond to the consolidated and separate financial statements we have audited, and whether the digital file for the separate financial statements and the format and marking up of the consolidated financial statements included in the digital files, have been prepared in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined correspond to the consolidated and separate financial statements, and the consolidated and separate financial statements included in the digital files are presented, and the consolidated financial statements are marked-up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 30 November 2012 by the Board of Directors. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 April 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated and separate financial statements or the management report.

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Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated and separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Andreas Avraamides.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Address
Jean Nouvel Tower,
6 Stasinou Avenue,
1511 Nicosia, Cyprus

Nicosia, 28 April 2022

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Policy of Petrolia SE ("Petrolia" or "the Company") addresses the responsibility and interaction between shareholders, the General Assembly, the Board of Directors ("the Board") and the executive management. The purpose of this document is to outline the current status of Petrolia's Corporate Governance Policy.

As Petrolia is listed on the Oslo Stock Exchange, it follows the Norwegian Code of Practice for Corporate Governance of 14 October 2021 (the "Code of Practice"). Adherence to the Code of Practice is based on a "comply or explain" principle, whereby companies will be expected to either comply with the Code of Practice or explain why they have chosen an alternative approach. The Code of Practice is published on www.nues.no/English

Below is an account outlining how Petrolia has implemented the Code of Practice. This account follows the same structure as the Code of Practice and covers all sections thereof. Petrolia complies with the Code of Practice. Any deviations from the Code of Practice are discussed under the relevant sections. In addition to the Code of Practice, the Norwegian Accounting Act § 3-3 stipulates that companies must provide a report on their policies and practices for corporate governance either in the annual report or in a document referred to in the annual report. This report is integrated in this Corporate Governance statement.

The holding company Petrolia SE is domiciled in Cyprus and adheres to Cypriot law, consequently various associated policies can be subject to updates and revisions. Any updates and changes in the Company's Corporate Governance Policy will be published on www.petrolia.eu.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Petrolia believes that maintaining solid standards of Corporate Governance will improve the quality of discussions and work to be carried out by the corporate bodies. Sound Corporate Governance practice will strengthen confidence in the Company among shareholders, the capital market and other interested parties and thus contribute to value creation for the shareholders over time.

2. BUSINESS GOALS AND STRATEGY

Petrolia's business scope is clearly defined in the Company's Articles of Association, as follows: "The purpose of the Company is to conduct business within the areas of petroleum, shipping, offshore, transport, trade, industry and finance and other related areas and also participate as shareholder or otherwise in other businesses".

As of April 2022, the Company is described as follows in Stock Exchange Notices: Petrolia SE has two business segments: Energy division and Energy Service division and is listed on Oslo Stock Exchange under the ticker code PSE. The activity includes investments in Petrolia NOCO AS, an independent oil & gas company approved as a licensee and pre-qualified as an operator on the Norwegian Continental Shelf, and a group of leading rental equipment companies for the global oil industry.

The Company's core objective is to secure a competitive return on the invested capital of the shareholders in the longer term. In accordance with this purpose, the Board of Directors and the management shall actively develop and control the Company and its assets in order for the underlying values to be reflected in the share price.

Petrolia is under several obligations provided for in the relevant Cypriot and Norwegian laws and the laws of other jurisdictions in respect of the business operations carried out by the Company and its subsidiaries. The Board of Directors has formulated a Code of Ethics, implemented across the Company, based on corporate values and corporate social responsibility principles. The Code of Ethics summarises the Company's values and standards of behaviour in, among others, human rights, safety, security and the working environment. In addition, the Company has implemented a strict policy regarding Health, Safety, Security and Environment (HSSE).

3. EQUITY AND DIVIDENDS

Petrolia shall have a capital structure at a level appropriate to the Company's objective, strategy and risk profile. Dividend payments will depend on Petrolia's earnings, financial situation and cash flow. The possibility of further value creation through investments will also be taken into account.
The Company's key targets for 2021 were to improve the Company's financial position, to improve the profitability of the Energy Services division following the improved market and to develop Petrolia NOCO AS. Dividends to shareholders are not prioritised in the short term. Dividends are restricted to a maximum of 30% of the Group's profit after taxes according to the bond loan agreement)refer to note 18).

Authorisations granted to the Board of Directors to increase Petrolia's share capital or to purchase its own shares shall, as a general rule be restricted to defined purposes. At each Annual General Meeting, the shareholders shall have the opportunity to evaluate and consider the authorisations granted by the Board. Thus, the authorisations should be limited in time to no later than the date of the next Annual General Meeting. All authorisations not in compliance with these guidelines should be accounted for in the Annual Report.

As of 31 December 2021, the Company had equity of USD 39 million, representing an equity ratio of 57 per cent.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

Petrolia has one class of shares and all shares are equal in all respects. Each share in the Company carries one vote. All shares are freely transferable. No shareholder shall be treated unequally unless it is in the Company's and the shareholders' common interests.
Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in Petrolia's share capital must be justified, and an explanation shall be appended to the agenda for the General Meeting.

Any transactions carried out by Petrolia in its own shares shall be made either through the stock exchange or, if carried out in any other way, at prevailing stock exchange prices. If there is limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

At the Annual General Meeting on 27 May 2021 the Board of Directors was granted authorisations relating to acquiring its own shares. The details of the authorisations are provided in the minutes to the Annual General Meeting, published 27 May 2021 on the Company's website www.petrolia.eu.

5. FREELY NEGOTIABLE SHARES

The shares are listed on the Oslo Stock Exchange and are freely transferable. No form of restriction on negotiability is included in the Articles of Association of Petrolia.

6. GENERAL MEETING

Through the General Meeting the shareholders exercise the highest authority in Petrolia. General Meetings are convened by written notice to all shareholders with known addresses and a minimum of 21 days' notice. All shareholders are entitled to submit items to the agenda, meet, speak and vote at the General Meetings as is normally outlined in the summons to the General Meeting and as required by law.

Summons to general meetings, including supporting documentation on relevant items on the agenda, are made available on the Company's website no later than 21 days prior to the General Meeting. The Company's Articles of Association stipulate that documents pertaining to matters to be deliberated by the General Meeting shall only be made available on the Company's website, and not normally be sent physically by post to the shareholders unless required by law. In order to ensure that the General Meeting is an effective forum for the views of the shareholders and the Board of Directors, the Board shall ensure that the information distributed is sufficiently detailed and comprehensive as to allow the shareholders to form a view on all matters to be considered.

The Board of Directors shall take steps to ensure that as many shareholders as possible can exercise their rights by participating in General Meetings in Petrolia, for instance by setting deadlines for shareholders to give notice of their intention to attend the meeting (if any) as close to the date of the meeting as possible and by giving shareholders who are not able to attend the option to vote by proxy. To the extent practicable, the Board of Directors shall make arrangements for shareholders voting by proxy to give voting instructions on each matter to be considered at the meeting.

As it is a priority for the General Meeting to be conducted in a sound manner, with all shareholder votes to be cast, to the extent possible, on the basis of the same information, the Company has thus far not deemed it advisable to recommend the introduction of electronic attendance. The Company will contemplate the introduction of such arrangements on an on-going basis in view of, inter alia, the security and ease of use offered by available systems.

The General Meetings shall be organised in such a way as to facilitate dialogue between shareholders and the officers of the Company. Thus, the Board of Directors must ensure that the members of the Board and the chairperson of the nomination committee are present at all General Meetings. In addition, the Board of Directors shall make arrangements to ensure an independent Chairman for each General Meeting, for instance by arranging for the person who opens the General Meeting to put forward a specific proposal for a Chairman.

The Minutes of the General Meetings will be made available as soon as practicable on the announcement system of the Oslo Stock Exchange, www.newsweb.no (ticker: PSE), and on Petrolia's own web site, www. petrolia.eu.

7. NOMINATION COMMITTEE

In accordance with its Articles, the Company shall have a Nomination Committee. The committee shall present to the General Meeting a proposal, justifying each candidate, for candidates to be elected as members of the Board. The committee shall also propose to the General Meeting the Board members' remuneration. The nomination committee shall consist of three members who shall be elected by the General Meeting. The committee shall be independent of the Board and the management of the Company. The General Meeting shall set the committee members' remuneration. The General Meeting may adopt instructions for the Nomination Committee. The costs of the Nomination Committee shall be covered by the Company.

On 27 May 2021 Rob Arnott, Tove Kate Larsen and Andros Constantinou were elected as members of the Nomination Committee.

The work of the Nomination Committee is regulated through Terms of Reference.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Articles of Association stipulate that the Board of Directors shall consist of three to five directors elected by the General Meeting. According to the Articles of Association, the Board of Directors is appointed for one year by the General Meeting.

The Board of Directors comprised four directors as per 31 December 2021. The current composition of the Board of Directors is described in note 6 in the Petrolia SE Annual Report 2021. The Board shall attend to the common interests of all shareholders, and its members shall meet the Company's need for expertise, capacity and diversity. Attention should be paid to the fact that the Board of Directors can function effectively as a collegiate body. The Board shall consist of individuals who are willing and able to work as a team. Each member shall have sufficient time available to devote to his or her appointment as a director.

The composition of the Board of Directors shall ensure that it can operate independently of any special interests. Two of the four members of the Board are independent of the Company's executive management, material business contacts and main shareholder(s). The two independent members are George Hadjineophytou and Sjur Storaas. Polycarpos Protopapas is the Managing Director of the Company.

The Petrolia Group cannot, without the approval of the Board of Directors of Petrolia, buy consultancy services from a board member or from companies in which any board member is an owner, employee or otherwise has an interest.

Six board meetings were held during 2021, with a complete attendance among the board members.

All the directors are encouraged to hold shares in Petrolia, however not to an extent that can encourage a short-term approach that is not in the best interest of Petrolia and its shareholders. The shareholdings of the directors as per 31 December 2021 are set out in Note 17 to the consolidated financial statements.

9. THE WORK OF THE BOARD OF DIRECTORS

The proceedings and responsibilities of the Board of Directors have been laid down in written guidelines adopted by the Board of Directors. The main responsibilities of the Board of Directors are to:

• Lead Petrolia's strategic planning and make decisions that form the basis for the Executive Management to prepare for and implement investments and structural measures. The Company's strategy shall be reviewed on a regular basis;

• Ensure that all instructions given by the Board of Directors are complied with;

• Ensure that the Board of Directors are well informed about the Company's and the Group's financial position;

• Ensure the adequacy of the Company's executive management and issue instructions for its work in which the areas of responsibilities and duties are clearly defined, also with respect to the relationship between the executive management and the Board of Directors;

• Agree on dividend policy;

• Annually evaluate its work, performance, composition, expertise, and that of the managing director (the "MD"). The evaluation of the Board's work should be made available to the Nomination Committee. The Board of Directors did not evaluate its own work in 2021;

• Ensure that a system of direction and internal control is established and maintained as to ensure that the Group activities are conducted in accordance with all rules and regulation applicable to the Group, Petrolia's Articles of Association, its corporate values and its ethical guidelines, as well as authorisations and instructions approved by the General Meeting. The internal control arrangements must address the organisation and implementation of the Company's financial reporting. The Board of Directors contributes its knowledge and experience to the Company and has frequent meetings with the executive management for updates on the recent developments.

The Chairman of the Board of Directors carries a particular responsibility for ensuring that the Board of Directors performs its duties in a satisfactory manner and that the Board is well organised. The Board of Directors will elect a Deputy Chairman who takes chair in the event that the Chairman of the Board cannot or should not lead the work of the Board, including matters of a material nature in which the Chairman has an active involvement.

The Board of Directors has appointed an Audit Committee. The committee, which is composed of Sjur Storaas and George Hadjineophytou, shall prepare the Board's follow up of the financial reporting process, monitor internal control and risk handling systems and communicate with the Group's auditor on a regular basis in connection with the preparation of the annual accounts. Furthermore, the committee shall assess the auditor's independence, in particular to which extent other services to the Group may jeopardise the independence. The Audit Committee held regular meetings in 2021 and in 2022 (up to 28 April 2022) and reviewed all interim reports prior to publication. The committee works closely with the auditor.

The Board of Directors has appointed a Remuneration Committee. The committee is composed of Sjur Storaas, Berge Gerdt Larsen and George Hadjineophytou.

The Managing Director is responsible for the day-to-day management of the Company. Further, the Managing Director is responsible for ensuring that the Company's accounts are in accordance with all applicable legislation, and that the assets of the Company are managed appropriately.

The Managing Director is appointed by the Board of Directors and reports to the Board of Directors. His or her powers and responsibilities are defined by detailed instructions adopted by the Board of Directors.

In the event of any material transactions between the Company and its shareholders, directors, members of the executive management or close associates of any such parties, the Board of Directors shall arrange for valuation to be obtained from an independent third party. The same shall apply to transactions between companies within the Petrolia Group where any of the companies involved have minority shareholders. All such transactions shall be reported by the Board of Directors in the Annual Report. The Company has established and operates guidelines to ensure that members of the Board of Directors and the executive management promptly notify the Board of Directors if they have any significant direct or indirect interest in any transaction entered into by the Company.

A disclosure of any related party transaction is presented in Note 24 in the Annual Report.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is primarily handled locally in each Group company in accordance with applicable rules and regulations. Internal control in the Group is performed through Group companies reporting to Petrolia on operational and financial risk factors related to accounting, operations and HSE. Key figures and information are reported on a monthly basis, enabling the Board to monitor the situation on a continuous basis throughout the year.

The most important risk factors applicable to the Group are thoroughly considered in connection with yearly budgeting. The Audit Committee reviews interim reports from the Group companies and reports to the Board. The annual accounts for all Group companies are audited by the Group's external auditor. The Company's risk management systems are described in Note 23 of this Annual Report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration awarded to the members of the Board of Directors is determined annually by the General Meeting, based on the Board's responsibility, expertise, time commitment and the complexity of the operations of the Group. The Nomination Committee will propose the remuneration for approval by the General Meeting.

The remuneration is not linked to the Group's performance. No directors have been granted or will be granted share options, and no directors participate in the incentive programs available for the executive management and/or other employees.

More detailed information about the reward of individual directors in 2021 is provided in Note 6 to the consolidated financial statements for the Group.

No members of the Board of Directors (or companies with which they are associated) shall take on specific assignments for the Group, in addition to their appointment as director unless instructed by the Board. If such assignments are taken on, they shall be disclosed to the full Board, and the remuneration shall be approved by the Board. Further, all remuneration paid to each of the directors shall be described in the Annual Report. Such description shall include details of all elements of the remuneration and benefits of each member of the Board and any remuneration paid in addition to normal director's fees. Details regarding Polycarpos Protopapas' remuneration are disclosed in Note 6 to the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Managing Director's remuneration shall be determined by a convened meeting of the Board of Directors and the Board has adopted guidelines for the reward of executive management.

Remuneration for the other members of the executive management is determined by the Managing Director and Chairman of the Board in accordance with guidelines provided by the Board of Directors. The guidelines are annually communicated to the General Meeting and included in the Annual Report together with detailed information on all elements of the remuneration. The General Meeting shall be informed of any changes made during the last year.

The Company has no bonus schemes or incentives in place. As of 31 December 2021, executive management held common shares in the Company following the rights issue offered to key employees and the Board of Directors on 2 September 2011, in addition to shares and options bought in the market. Details regarding management remuneration can be found in Note 6 to the consolidated financial statements.

13. INFORMATION AND COMMUNICATION

Petrolia will ensure that the shareholders receive accurate, clear, relevant and timely information related to all matters of significance to shareholders. All information is published in a way ensuring simultaneous and equal access for all equity shareholders:

• Each year, Petrolia publishes a Financial Calendar detailing key events.

• Information to shareholders is distributed through stock exchange notices and/or on www.petrolia.eu. To the extent required by law, information is also sent by regular post to shareholders.

• All information is available in English, and, when required, Norwegian.

The Board of Directors has adopted guidelines for the Company's reporting of financial and other information that is based on openness, equal treatment of all shareholders and participants in the securities market, and restrictions imposed by law. The guidelines also include instructions on the internal treatment of market sensitive information and insider trading instructions and for the Company's contact with shareholders other than through General Meetings.

To increase the share liquidity, the Company aims to increase the investor activities going forward, in addition to attending industry conferences.

14. TAKE-OVERS

The Company's objective is to create shareholder value and the Board of Directors and the executive management will not seek to hinder or obstruct takeover bids for the Company's shares or activities unless there are good reasons for this. In the event of any possible takeover or restructuring situation, the Board of Directors will take particular care to protect shareholder value and the common interests of all shareholders. The Board of Directors will not exercise mandates or pass any resolutions to obstruct the takeover bid unless approved by the General Meeting following announcement of the bid. In a takeover situation, the Board of Directors will issue a recommendation to the shareholders and arrange a valuation from an independent expert.
Any transaction, which is in fact a disposal of the Company's activities, should be decided by a General Meeting.

15. AUDITORS

Petrolia's auditor is Ernst & Young Cyprus Limited.

The auditor is elected by the General Meeting and shall report to the General Meeting.

Excessive non-auditing work assigned to the auditor may jeopardise his position and diminish the public confidence in the auditor's integrity and independence from Petrolia. The primary task of the auditor shall be to perform the audit work required by law and professional standards with the care, competence and integrity prescribed by law or said standards. The auditor will submit the main features of the plan for the audit to the Board of Directors annually. Further, the Board of Directors will receive an annual written confirmation from the auditor that the requirements of independence and objectivity have been met. The auditor shall also at least once a year present to the Board of Directors a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The auditor will participate in any meetings of the Board of Directors that deal with the Annual Accounts. At these meetings, the auditor shall review material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the Company. At least once a year, the Board of Directors shall have a meeting with the auditor in which no member of the Executive Management is present. The Audit Committee will adopt guidelines in respect of the use of the auditor by the Company's Executive Management for services other than audit. Each year, the auditor shall provide the Board with a summary of all services in addition to audit work which have been undertaken for the Company.

The Board of Directors must report the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

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