10166359 (England and Wales)

PENNPETRO ENERGY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

CONTENTS

COMPANY INFORMATION

Directors	Olof Nils Rapp *(Senior Non-Executive Director)* Thomas Evans *(Executive Director)*	
Secretary	David Middleburgh (MA Law Trinity Hall Cambridge) FHF Corporate Finance Limited	
Registered Office	20b Wilton Row London, SW1 7NS	
Legal Advisors	**UK Legal Advisers** Birketts LLP 22 Station Road Suite 975 Cambridge CB1 2JD	**US Legal Advisers** Walne Law, PLLC 4900 Woodway Houston, Texas TX 77056
	Fladgate LLP 16 Great Queen Street London WC2B 5DG	Porter Hedges LLP 1000 Main Street, 36th Fl. Houston, Texas TX 77002
	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF	
Corporate broker	Peterhouse Capital Limited 3rd Floor 80 Cheapside London EC2V 6EE	
Independent Auditor	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW	
Registrars	Computershare Investor Services plc The Pavilions Bridgewater Road Bristol BS13 8AE	
Communications	Instinctif Partners 65 Gresham Street London EC2V 7QN	
Registered Number	10166359	

Dear Shareholders,

I am pleased to present the annual results for Pennpetro Energy PLC ("Pennpetro") for the year ended 31 December 2021.

Since I wrote to you last year, during a period being the most difficult of times for businesses and families globally, events have moved somewhat forward, but we are still faced with a number of challenges and issues resulting from the times we have endured.

As outlined to you last year, as a business we dealt with the challenges brought about by the COVID-19 pandemic swiftly and humanely to not only ensure the wellbeing of our teams but also the retention of value for our shareholders.

As reported last year after selling oil commercially from our initial well in the Gonzales field, as the world went into lockdown, we suspended all operations and activities in line with the requests of the US Government and Texas State Legislators. We have now through our Houston team re-engaged with various professional firms seeking to bring into play our proposed 2nd and 3rd drilling projects.

With operations now being undertaken again, albeit in a more restricted manner, we sought to shape Pennpetro to emerge stronger and better positioned to accelerate its growth profile from these challenging times.

During the period we have undertaken to expand our operative horizons by agreeing to farm into the onshore Tunisian assets held by Upland Resources Limited. Tunisian operational activities will be under the direction of Andy Clifford the President of our subsidiary company Nobel Petroleum USA Inc., who will be contracted as the Operator. These activities will be conditional upon various approvals being granted by Tunisian authorities as to the licence area.

We also took the opportunity to expand our capital base by the placement of 1,166,667 new shares during March 2022 to raise an additional £350,000 in working capital, and also the appointment of Peterhouse Capital Limited as our corporate broker. The Board continues to seek accretive options for corporate development.

In addition, the Company, recognising the global impact of environmental concerns, has instigated due diligence with regard to expanding its experiences and core competencies within the fossil environment and petroleum drilling to specific green energy initiatives securitised with US intellectual property filings which are being expanded to select jurisdictions internationally.

We remain confident in our petroleum assets, our US and pending Tunisian operations, and the Board, to continue to build upon what has been a slightly less challenging year for the Group.

Olof Rapp
Non-Executive Director, Chairman
12 July 2022

Pennpetro's intention is to become an active independent North American development production company with the ability to expand operationally internationally.

The key elements of Pennpetro's strategy for achieving this goal are:

- The creation of value through production development success and operational strengths, commencing with the Group's City of Gonzales Lease ("COGLA") assets.
- Focusing on commercialisation and monetisation of oil and gas discoveries, and potentially utilising cash flows from initial projects to fund the acquisition or development of future projects.
- Active asset portfolio management.
- Positioning the Company as a competent partner of choice to maximise opportunities and value throughout the E&P lifecycle.
- Asset acquisitions of producing hydrocarbons and suitable green energy technologies.

Our focus during the latter part of 2021 was to continue to develop our proven reserve base at our licences in Gonzales, which had been previously curtailed by Covid-19 and the ensuing pandemic conditions imposed across all of the United States.

According to the Group's Competent Person's Report ("CPR"), prepared in December 2017, Pennpetro had a Working Interest in 2,000 Mbbl of oil and 1,000 MMcf of gas across its Gonzales leases. On 6 August 2019, Nobel has increased its working interest in the portfolio of petroleum interests from 75% to 100%, thereby its Working Interest is now over 4,000 MBBL of oil and 2,000 MMcf of gas resulting in a substantive uplift in our valuation metric.

The low oil price environment since mid-2014 presented the opportunity to acquire leases in our core areas of focus, most notably the prolific Austin Chalk and Eagleford Shale in South Texas. We have been able to add additional reserves from the Buda Formation from the drilling of an initial horizontal well, which as prior reported we have now completed with the operator having advised the Texas Railroad Commission, the local authority, that the well is designated as a discovery and commercial unit. Commercial quantities of test hydrocarbons have been sold from this well

As previously reported, as water from prior extensive flooding in the Buda oil formation would need to be pumped out in order to regain pressure and recommence hydrocarbon deliverability from the reservoir, it was decided that as the Buda operations had now achieved the important positive result of confirming that this reservoir was now drill confirmed to be oil active over the acreage and a confirmed secondary recovery reserve, the company's focus would revert to cleaning out and re-entering the Austin Chalk formation which we had drilled out to 3,300 feet horizontally and which had tested positive for both oil and gas recovery. The Austin Chalk formation was drilled out at approximately 7,200 feet sub- surface, whereas the Buda was intersected at 8,500 feet sub-surface.

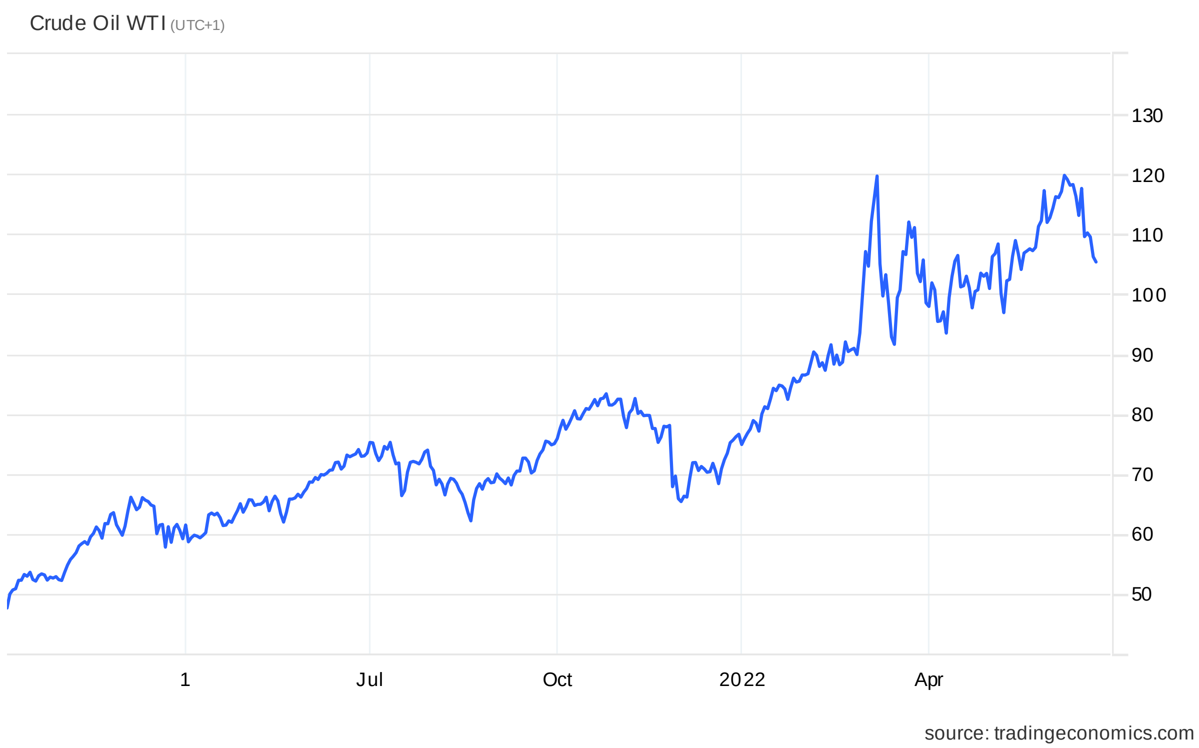
This process would require that we case-off the lower Buda formation until needed to deplete in the future and initiate a work-over rig operation to re-enter and clean out the horizontally drilled formation leg to initiate hydrocarbon recovery from this proven oil interval. However, during the pandemic we continually reviewed our strategic opportunities and decided in line with the results delivered by some of our close petroleum drilling neighbours to benefit from their operational experiences and excellent results to move our focus to the drilling of our second horizontal well (COG#2-H) by way of a Pad (Production Platform). This would also allow us to drill out additional horizontal legs by way of extension into the differing Austin Chalk pathways at a much condensed expense. The same methodology would be utilised for our third horizontal well (COG#3-H).

As this operational technique was not available to us at the time for our initial well, COG#1-H, it is now timely to implement this enhanced drilling arrangement and then return to COG#1-H to recomplete the well into the prior drill proved production horizon, assessing the economics of the straight cleanout as currently envisaged, or amplify by utilising the Pad experiences for extending the lateral out to 5,000 foot as allowable under the initial RRC drilling authority and capture an additional 3 to 4 fractures which will impact the EUR.

The wells we have drilled and plan to drill are economic at oil prices sub US$30/bbl; record production rates have been reported as the horizontal laterals are extended and the amount of pay in each well has increased; drilling and completion costs have been significantly reduced; and initial decline rates during the first 12-18 months of production are lower than those in other US plays. Over the last two years, we have taken advantage of depressed market conditions to increase our exposure to these areas.

West Texas Intermediate ("WTI") averaged US$67.99/bbl during 2021, $28.83 per barrel higher than in 2020. The value of WTI as at 23 June 2022 was US$105.32/bbl. (source: Bloomberg Markets).

The attached chart shows WTI pricing from January 2021 through to 23 June 2022. (source: www.tradingeconomics.com)



Operations

In terms of our operations, prior to the onset of the pandemic restrictions, our focus had been on completing our initial horizontal well and organizing the permitting of our second targeted horizontal well (COG#2-H) situated to the north of COG#1-H. Our operator has filed formal completion certificates with the Texas Railroad Commission confirming that the COG#1-H well was being completed as a producer. As explained, our emphasis has now moved to the development and drilling of COG#2-H, and our prior stated activity pertaining to the COG#1-H Austin Chalk oil operations, will be held pending post the drilling of COG#2-H well into production. Once the process of water removal from the lower reservoirs of COG#1-H is completed - an operation which we have decided to complete with the lower formation being cased-off and to re-enter and take hydrocarbon production from the upper Austin Chalk, from which we initially took oil.

Financially, the Company used 2021 to further lay the foundations for future revenue generation.

Reduced economic activity related to the COVID-19 pandemic caused changes in energy demand and supply patterns in 2020 which aggressively changed late 2021 and will continue to affect these patterns in the future

During early 2020 the oil price was severally antagonised by the emergence of the Covid-19 world-wide pandemic, leading to the most unsettled oil environment for many years. However, during 2021 due to both the US shale industry being severally impacted by the oil price and re-emergence of a combined consensus at OPEC, there was been not only a re-emergence of price stability, but a very significant uplift in the oil price to - with many commentators predicting that this pricing trend will not only stabilise over the coming year, but further increase yet again to potentially challenge what we call $100+ oil. To this bullish scenario, it needs to be further understood that the Company's oil deliveries benefit from an approximately $5-$7 pricing premium for local refiners as they need our slightly heavier oil to blend out with lighter oil for domestic delivery. With the advent of the Russian invasion of Ukraine in February 2022, the energy markets have been placed under extreme pressures with the price of both Brent and West Texas being constantly in the $120 zone.

In this stabilised oil price environment, Pennpetro has emerged from the oil vicissitudes as a low-cost, primarily asset-backed US onshore oil and gas business, with exciting international interests. Subject to oil prices, market conditions and sentiment, I remain confident that we can deliver our strategy by not only acquiring leases in active and producing US onshore plays and proving up the reserves by drilling new wells, but also by our new strategic acquisition focus on producing assets and directive into green energy initiatives.

To this we add our broad approach to engagement within the international sector by initially farming-into Tunisian assets which hold great promise in the wake of the ongoing energy deficiencies being experienced within the European energy environment and which seem destined to remain as such for the future. This arrangement is conditional upon certain approvals and extension of the license area being approved by the Tunisian authorities.

This platform is one that has, at its core, the active management of all types of risk associated with the oil and gas industry. Broadly speaking development risk is managed by focusing on proven formations; execution risk is managed by participating in drilling activities with solid experienced industry personnel, which we have in Houston who have an extensive history in South Texas petroleum activities, as well as our operations offsetting those of major industry players; individual well risk is managed by building a diversified portfolio of leases and wells; meanwhile oil price risk is managed by focusing on areas that require relatively low oil prices to breakeven and ensuring our cost base, capital commitments and financing costs remain low, manageable and flexible.

Our domestic US asset acquisition strategies generally only targets producing assets and applying proven horizontal technologies to conventional reserves from a firm productive foundation. This initiative is being driven through our Houston technical office with a number of asset opportunities having been investigated, and now with the new era post Covid-19 upon us, we expect further new opportunities.

Pennpetro's Board currently comprises two Directors, who collectively have extensive international experience and a proven track record in investment, corporate finance and business acquisition, operation and development and are well placed to implement the Company's business objectives and strategy highly active plays. The appointment of Andy Clifford in April 2020, a highly seasoned and experienced oil professional as the President of the Company's operational subsidiary Nobel Petroleum USA, Inc., emphasises the Company's dedication to its forward development profile.

We believe the Company's Board and US management team is strong in terms of having the right mix of industry expertise covering all key areas of the business, including lease acquisition, geology, engineering, and finance.

During June 2021 the Company also concluded a three-year £20 Million shares subscription facility with the GEM Group, New York (a US$3.4 billion alternative investment group), through their affiliates. The Company also agreed to issue 12,000,000 warrants exercisable at 40 pence each as part of this transaction.

Outlook
In line with our strategy, all our operations are in highly active plays where the economics of drilling and producing remain attractive at sub-US$30 oil prices. This highlights the success we have had in taking advantage of the prior industry downturn to accelerate the positioning of our South Texas leasehold position in favour of the Austin Chalk and Eagleford Shale. With a strategic foothold in these prolific, low-cost plays established and a proven management team in place, we will look to further expand our position in this US onshore sweet spot, as and when management considers it most advantageous to do so.

For 2021, our main objectives were to exit the prior pandemic issues and to build upon the initiative that commenced with the completion of our initial well, COG#1-H, and to further acquire additional land leases and to progress the permitting and horizontal development of our second objective well. As explained, during the pandemic we reassessed our strategic drivers with the notion of how we were going to deliver our second and third horizontal wells with a greater technical focus. I look forward to providing updates on our progress in the year ahead.

Finally, I would like to thank the Board, management team and all our advisers for their hard work over the last twelve months and also to our shareholders for their continued support.

Thomas Evans
Executive Director
12 July 2022

Operations Report

Summary

Nobel Petroleum USA, Inc., has operational teams on the ground working from its offices in the City of Gonzales. During the period, one new horizontal well in which the Group has an interest commenced completion activity. The Group was planning to initiate an encompassing 3D seismic survey in 2020 with Dawson Geophysical Company to complement its comprehensive well logs geological analysis, together with an enhanced programme of additional new petroleum leasing contiguous to the area, with proposed planning to provide a further number of permitted drilling locations by year end. However, the onset of COVID-19 curtailed these plans. Planning is now initiated for the drilling of the Company's second horizontal well, COG#2-H, for reasons as explained in detail herein, with the side-track/re-entry to the oil-bearing Lower Austin Chalk formation in the Company's initial production well, COG #1-H, reserved for that operation post completion of COG#2-H.

In addition, the Company's recently formed corporate entity, Pennpetro USA Corp, Inc., through its highly regarded Houston based technical teams, has continued to examine a number of asset opportunities encompassing producing hydrocarbons with offsetting strategic leasehold interests capable of both additional infill and expansionary drilling locations, which has been amplified by the new era deigned by the global Covid-19 virus pandemic.

SOUTH TEXAS

The Company, through its indirect wholly owned subsidiary, Nobel Petroleum USA, Inc., holds interests in acreage within active oil and gas plays within the County of Gonzales, State of Texas: The Austin Chalk, and Eagleford Shale horizontal development and vertical development of the Buda formation. Nobel Petroleum USA, Inc. has observed an increase in the value of its interests within its project acreage, due in part to uplifting its active equity interests and increased consolidation of its acreage positions, and the continued worldwide oil price escalations due to prevailing international concerns.

Of interest is the recent drilling being undertaken to the southern edge of the Nobel operational area by the Millennium Group, who have averaged over 400 bpd of oil.

Austin Chalk

The play covers an extensive area with over a million acres yet to be developed and runs all the way from the Pearsale Field south of Gonzales to the giant Giddings Oil Field, the largest oilfield found in Texas in the past 50 years to the north of Gonzales, and further north onto the North Rayou Jack Field. Recently, this play has extended into western Louisiana with a number of major players including EOR Resources and Marathon acquiring strong acreage positions. The Austin Chalk overlays the oil rich Eagleford Shale, with both formations capable of interacting with each other, and is a low permeability fractured reservoir that has been the target for horizontal drilling since the mid-1980s and consists of interbedded chalks, volcanic ash, and marls. It is located at drill depths from 7,000 to 8,000 feet. It can be a liquids-rich play, yielding high volumes of oil and condensate. Initial production rates can range over 1,000 bopd with ultimate reserves exceeding 500 MBO per well.

Eagleford Shale

The Eagle Ford continues to prove itself as a world-class crude oil formation having produced in excess of 2.9 billion barrels of crude oil and condensate. This play is classified as a petroleum system in that it is a self-sourced reservoir with seals. Migration of Eagleford hydrocarbons was primarily along bedding planes during the expulsion phase. Absent of traps, hydrocarbons migrated up-dip or north where vertical natural fractures were encountered. These natural fractures were associated with the regional fault trends. Here, the hydrocarbons migrated into the extensively fractured Austin Chalk. Initial production rates with laterals can exceed 1,000 bopd.

Buda Formation

The Buda is a biomicritic limestone lying below the Eagleford Shale and above the Del Rio Shale. There has been an increase in the focus on, and the development of, the Buda formation by a number of US operators in South Texas, with a number of horizontal wells having been completed. It is a development we are following closely.

As previously identified, while the Buda has always been acknowledged as a resource play in South Texas, it sits at the bottom of our drilling prognosis, as it can be drilled as a separate vertical completion and added to our overall horizontal programme. Furthermore, its unit spacing can be brought significantly down to 40 acres, thereby fulfilling a separate in-fill operation alongside our horizontal drilling focus.

Thomas Evans
Executive Director
12 July 2022

The financial results for the group for the year ended 31 December 2021 are presented below:

The financial results for the year ended 31 December 2021 show a loss after tax of $1,311,707 (2020: loss $1,046,512).

The majority of the cost contributing to the Group's loss for the year included legal and professional fees, loan arrangement fees, directors' emoluments and interest charges, which were in line with the Board's expectations.

The Group's borrowings at 31 December 2021 were $4,256,262 (2020: $3,727,995). In addition, as reported in the prior year, the repayment date for the loan facility with Petroquest Energy Limited wasa extended a further year to 31 December 2023.

The Group had cash balances at 31 December 2021 of $1,828 (2020: $1,329) and short-term investments of $34,914 (2020: $49,152). The year on year movement in cash and short-term investments was primarily a result of cash used in operating activities and development expenditure.

As at 31 December 2021, the Group had $878,000 (2020 $1.1m) still available to draw under its loan facility of $5m with Petroquest Energy Limited.

In addition, the Group had a receivables balance at 31 December 2021 of $309,456 (2020: $308,943).

Additions of $617 were capitalised in property, plant and equipment during 2021 on the Petroleum mineral leases. As at 31 December 2021, total property, plant and equipment held by the Group was $1,384,931 (2020: $1,384,314).

No expenditure was capitalised during the year, and therefore the cumulative drilling-related expenditure capitalised in intangible assets remained at $4,233,890 at 31 December 2021 (2020: $4,233,890).

Thomas Evans
Executive Director
12 July 2022

The Directors present their strategic report on the group for the year ended 31 December 2021.

Principal Activities
The principal activity of the Group is onshore oil and gas exploration and production in the United States of America. Pennpetro Energy Plc acts as a holding company and provides direction and other services to its subsidiaries.

Pennpetro USA Corp., holds 100% of the US operational subsidiary Nobel Petroleum USA, Inc. ("Nobel USA"), an independent oil and gas production company based in the City of Gonzales, Gonzales County, Texas, USA. Nobel USA took over the activities of Nobel Petroleum LLC, the Company's other subsidiary entity in December 2017 pursuant to a seamless internal reorganisation of operational activities and taxation advice. Nobel USA's core area of business is in the Austin Chalk and Eagleford Shale oil and gas horizontal formations together with the lower oil and gas reservoir, the Buda Formation in South Texas, United States.

The review of business and future developments is included in the Executive Directors' Statement and the Operations Report. A review of the financial performance and position is included in the Financial Report.

A summary of the operations conducted by the Group is detailed in both the Executive Directors' Statement and the Operations Report.

Strategic Approach
The Board's strategic intent is to maximise shareholder value through the continuing investment into new wells and leases in proven US onshore formations and participating alongside established operators in multiple wells, while further reducing costs, where applicable.

The Company provides shareholders with exposure to the high growth associated with the producing oil and gas sector. This is achieved with a low overhead base.

Key Performance Indicators
The Board monitors the overall performance of the Group by reference to certain key milestones.

The Group considers its financial KPI's to include:

Key performance indicators	**2021** **$**	**2020** **$**
Net cash flows from operating activities	(251,740)	72,400
Cash and short-term investments	36,742	50,481
Headroom on loan facilities	878,000	1.1mil

Due to the Covid-19 pandemic, we closed our operations in Gonzales from March 2020 to October 2021.

Participation in well drilling programmes are monitored on an individual project basis in terms of revenue and cost per barrel of oil or Mcf (one thousand cubic feet) of gas, together with the anticipated payback period on each project.

Board diversity
Although the Board consisted of two male Directors, the Board supports diversity in the boardroom. Aside from the Directors, there are no employees in the Company. The Board will pursue an equal opportunity policy and seek to employ those persons most suitable to delivering value for the Company.

Corporate responsibility
The Group operates a management system that embodies Environmental, Health, Safety and Social Responsibility principles.

A number of objectives have been set by the Board to address these principles and the Executive director is responsible for demonstrating to the Board that these principles are adhered to in its US Oil and Gas operation.

The policy of the Board of Pennpetro is to be fully accountable for the necessary practices, procedures and means being in place so as to ensure that each objective is demonstrated and that continuous improvement practices are operating to ensure that the required practices, procedures and means are being monitored, refined and optimised as necessary.

The objectives of the Environment, Health, Safety and Social Responsibility Policy include:

- The Group shall manage all operations in a manner that protects the environment and the health and safety of employees, third parties and the community.

- Risk identification, assessment and prioritisation can reduce risk and mitigate hazards to employees, third parties, the community and the environment. Management of risk is a continuous process.

- The use of internationally recognised standards, procedures and specifications for design, construction and commissioning activities are essential for achieving operational excellence.

- The minimisation of environmental risks and liabilities are integral parts of the Group's operations.

- Third parties who provide materials and services or operate facilities on the Group's behalf have an impact on Environmental, Health and Safety and Social Responsibility excellence. It is essential that third-party services are provided in a manner consistent with the Group's Policy.

- Preparedness and planning for emergencies are essential to ensuring that all necessary actions are taken if an incident occurs, to protect employees, third parties, the public, the environment, the assets and brand of Pennpetro.

- Open and honest communication with the communities, authorities and stakeholders with which the Group operates builds confidence and trust in the integrity of Pennpetro.

Corporate responsibility (continued)

- The Group has determined that the greenhouse gas emissions from the operations of the Company and its subsidiaries are sufficiently low that it does not have responsibility to produce the disclosures required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The reason for this is that there was only limited activity from its US based operating subsidiary during 2021 and notably the Covid-19 pandemic caused the operations in Gonzales to be put on hold from March 2020 to the latter half of 2021.

During 2021, the Group closely monitored the limited drilling, completion and production operations of its COG#1-H well and there have been no breaches of any applicable Acts recorded against the Group during the reporting period.

Section 172 statement
Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and referenced herein, how the Board engages with stakeholders.

Promotion of the Company for the benefit of the members as a whole
The Director's believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company is quoted on the London Stock Exchange and its members will be fully aware, through detailed announcements, shareholder meetings and financial communications, of the Board's broad and specific intentions and the rationale for its decisions.

When selecting investments, issues such as the impact on the community and the environment have actively been taken into consideration.

The Company pays its employees and creditors promptly and keeps its costs to a minimum to protect shareholders funds.

Promotion of the Company for the benefit of the members as a whole (continued)
The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2021:

The Board took the opportunity during 2019 to increase the Group's interest in its principal asset in Gonzales Texas, taking its Working interest in a portfolio of mineral leases to 100%. The most recent CPR prepared in December 2017, estimated that the Group's then 50% Working Interest basis undiscounted Net Revenue Interest in the Gonzales petroleum leases amounted to $62 million; with the increase to a 100% Working interest and further undiscounted Net Revenue Interest, this has now increased to over $120 million.

The Company recognising the global impact of environmental concerns, instigated due diligence with regard to expanding its experiences and core competencies within the fossil environment and petroleum drilling to specific green energy initiatives securitised with US intellectual property filings to be expanded internationally.

Risks and Uncertainties
The Group's activities expose it to a variety of risks and uncertainties.

Market risk
The Group operates in an international market for hydrocarbons and is exposed to risk arising from variations in the demand for and price of the hydrocarbons. Oil and gas prices historically have fluctuated widely and are affected by numerous factors over which the Group does not have any control, including world production levels, international economic trends, currency exchange fluctuations, inflation, speculative activity, consumption patterns and global or regional political events. The Group will consider hedging against the risks of fluctuating oil prices and currency exchange once the initial well is in commercial production.

Environmental risk
The Group's operations are subject to environmental regulation in all the jurisdictions in which it operates. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would adversely affect the Group's operations. There can be no assurance that such new environmental legislation once implemented will not oblige the Group to incur significant expenses and undertake significant investments. The Group identifies, assesses and prioritises environmental risks on an ongoing basis, as part of its management system.

Risks and Uncertainties (continued)

Oil and gas exploration and production risks
Whilst Nobel Petroleum USA, Inc., a Group subsidiary, took over the operatorship during 2019 with the formal approval of the regulator, the Texas Railroad Commission, and is the Working Interest owner, the previous operator is still engaged under sub-contracting terms. This allows the Group to fully integrate its operational teams in Houston.

Although it does not engage in exploration activities, per se, it might engage in some limited exploration activity if it was in an area offsetting producing assets and the Company decided such activity was worthwhile on a minimised risk basis to enhance its lease profile. There are significant risks and hazards inherent in the exploration and production of oil and gas, including environmental hazards, industrial incidents, labour disputes, fire, drought, flooding and other acts of God. The occurrence of any of these hazards can delay or interrupt production and increase production costs. The Group operates a management system that embodies Environmental, Health, Safety and Social Responsibility principles in order to mitigate these hazards.

There is no guarantee that oil and/or gas will be discovered in any of the Group's existing or future licences/permitted acreage or that commercial quantities of oil and/or gas can be recovered.

Licences and title
The leases in which the Group has or is seeking to have an interest will be subject to termination after the primary term of such leases unless there is current production of oil and/or gas in commercial quantities. If a lease is not extended after the primary term, the Group may lose the opportunity to develop and discover any hydrocarbon resources on that lease area. The Group retains the services of a team of experienced land managers who monitor and report on the Group's portfolio of leases to the Executive director on an ongoing basis. In taking an assignment of an oil and/or gas lease, the Group would, in accordance with industry practice, rely on the warranty provisions.

Covid-19 Pandemic
The impact of Covid-19 resulted in the temporary closure of our operation in Gonzales in March 2020 until October 2021. We cannot be certain whether further lockdowns will be imposed as a result of another outbreak of Covid-19, which could result in operations being suspended in Gonzales again.

This report was approved by the Board on 12 July 2022 and signed on its behalf:

Olof Nils Anders Rapp
Non-Executive Director, Chairman

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2021.

The Company's ordinary shares are listed on the London Stock Exchange, on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings.

Organisation Review
The Board is responsible for providing strategic direction for the Group. This incorporates setting out objectives, management policies and performance criteria. The Board assesses its performance against these on a monthly basis.

Composition of the Board at 31 December 2021 was one Executive Director and one Non-Executive Director. During the year, on 15 April 2021, Keith Edelman, a Non-Executive Director, resigned and on 8 June 2021 Philip Nash, a Non-Executive Director, also resigned from the Board. The Board believes that the present composition provides an appropriate mix to conduct the Group's affairs.

The Board is responsible for monitoring risks and uncertainties faced by the Group. These risks and uncertainties are detailed in the Strategic Report and note 3 to the financial statements.

The corporate governance arrangement of the Group is disclosed in the Corporate Governance Report.

Directors and Directors' interests
The Directors who held office during the year to the date of approval of these financial statements, together with their beneficial interests in the ordinary shares of the Company, are shown below.

	31 December 2021		31 December 2020	
	Ordinary shares (number)	Share options (number)	Ordinary shares (number)	Share options (number)
Olof Rapp	2,000,000	-	2,000,000	425,000
Thomas Evans [1]	5,000,000	-	5,000,000	425,000
Keith Edelman (resigned on 15 April 2021)	1,000,000	-	1,000,000	425,000
Philip Nash (resigned on 8 June 2021)	-	-	-	425,000

[1] Thomas Martin Evans shares are held by FHF Securities (A'Asia) Limited.

The Directors who held office at 31 December 2021 are summarised as follows:

Name of Director	Position
Thomas Evans	Executive Director
Olof Rapp	Senior Non-Executive Director

Directors' Remuneration
The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of the Directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and senior executive team.

The Directors' remuneration and policies for appointment or replacement of directors are disclosed in the Directors' Remuneration Report.

Dividends
The Directors do not recommend the payment of a dividend (2020: $Nil).

Share capital and major shareholdings
The issued share capital of the Company as at 31 December 2021 comprised 76,452,106 1p ordinary shares (2020: 76,452,106).

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carry one vote.

As at 22 June 2022 the Company had been notified of the following interests in the Company's ordinary share capital:

	Number of shares	Percentage (%)
York Energy Group Limited	14,000,000	16.78
International Immobiliare Ltd	10,000,000	11.98
International Immobiliare Ltd	6,300,000	7.55
FHF Securities (A'Asia) Limited	5,000,000	5.99
York Energy Group Limited	5,000,000	5.99
JIM Nominees Limited	4,223,197	5.06
RB Nominees Limited	4,118,404	4.94
Nobel Petroleum Ireland Limited	3,400,000	4.07
Griffin Asset Management Limited	3,255,500	3.90
Invictorium Limited	3,200,000	3.83
Mrs. B. Shaw	3,200,000	3.83
FHF Corporate Finance Limited	3,184,560	3.82
Mrs. P. Evans	3,100,000	3.71

To the best of the Directors' knowledge, no shareholder directly or indirectly, exercises or could exercise control over the Company.

Going Concern
The Group's business activities, together with the factors likely to affect its future development and performance are set out in the Executive Director's Statement. In addition, notes 3 and 24 to the financial statements disclose the Group's and Company's objectives, policies and processes for managing financial risks and capital.

On 2 June 2021, the Company announced the execution of a three-year £20,000,000 Share Subscription Facility Agreement ("Facility") with GEM Global Yield LLC SCS, Luxembourg, and GEM Yield Bahamas Limited (GEM Global). This new surce of funds will enable the group to re-establish its operations in Texas and fund the Group's ongoing cashflow needs.

Going Concern (continued)

On 16 March 2022, the Company raised £350,000 gross proceeds through the issue of 1,166,667 new ordinary shares at a price of 30p per share.

On 29 June 2022, Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. The revised maturity date on the loan is 31 December 2023.

The Group has prepared cashflow forecasts for 12 months from the date of signing the financial statements. The Directors have considered these forecasts and have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence through to 31 December 2023 as projected.

This is subject to material adverse unforeseen events that may occur, including but not limited to oil and gas prices and further hinderances to operations as a result of the Covid-19 pandemic.

The Directors continue to consider it appropriate to prepare the Group and Company financial statements on a going concern basis.

Events after the Reporting Period
On 16 March 2022, the Company raised £350,000 gross proceeds through the issue of 1,166,667 new ordinary shares at a price of 30p per share. The Company also announced the appointment of Peterhouse Capital Limited as broker to the Company on the same day.

On 29 June 2022, Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. The revised maturity date on the loan is 31 December 2023.

The Company has issued 952,268 ordinary shares to GEM Yield Bahamas Limited in lieu of fees owed as at 1 June 2022 of £266,640.

Provision of Information to Auditor
So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor
The auditor, Crowe U.K. LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. Crowe U.K. LLP has signified its willingness to continue in office as auditor.

This report was approved by the board on 12 July 2022 and signed on its behalf:

Olof Nils Anders Rapp
Non-Executive Director, Chairman

As at the date of this report, the following directors held office in the Company:

Thomas Martin Evans, Executive Officer
Thomas Evans started his career as a financial executive with Extel Financial Ltd, moving to equity sales at Barclays de Zoete Wedd Ltd and RBC Dominion Securities Limited, director CIBC World Markets Limited prior to founding Bishopsgate Capital Management Ltd in 2000 dealing in institutional fund management which was merged with Athanor Capital Partners Ltd assuming the role of Chief Investment Officer, expanding all the combined entities FSA regulated permitted businesses. Established TME Consulting creating UCITS compliant umbrella structure to be marketed to both retail and wholesale clients. CEO and founder of the Caplain group created to acquiring stockbroking and wealth management entities and Aerarius PCC Ltd (Guernsey) fund structure for European investment strategies.

Financial Services Authority (UK) Ltd previously approved for the following control functions – CF1 Director, CF3 Chief Executive, CF8 Appointment & Oversight, CF27 Investment Management.

Olof Nils Anders Rapp, Non-Executive Chairman
Olof Rapp has vast international experience in the aerospace and automotive sector and has held leading managerial positions with Rolls- Royce International, Volvo Truck Corporation and VistaJet International in South America, Middle East and Asia. His last position at Rolls Royce was as Regional Director, Malaysia, with overall responsibility for Rolls-Royce Plc's business in Malaysia and Brunei (Aviation, Marine, Nuclear and Oil & Gas) and represented the company at the highest level. His last position at Volvo was Managing Director of Volvo Malaysia, where he led a successful restructuring of the company. Olof serves as a Board Director in Quest Green Energy limited, Resources Bonds 11 limited, Serunai Commerce Sdn Bhd and is a Senior Advisor to Partners in Performance Pty Ltd. He is also Vice President of the Malaysian Swedish Business Association.

He was born in Gothenburg, Sweden, and studied International Business at IHM Business School.

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with the UK adopted International Accounting Standards.

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the applicable UK adopted international accounting standards has been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Company is compliant with the London Stock Exchange regarding the Company's website.

The Company recognises the importance of, and is committed to, high standards of corporate governance.

Corporate Governance Practices
Pennpetro Energy plc has a standard listing on the London Stock Exchange and is thus not required to comply with the requirements of the U.K. Corporate Governance Code ("the Code") as issued by the Financial Reporting Council. The disclosures below are required by the UKLA's Disclosure and Transparency Rule 7.

The Board is committed to ensuring the highest standards of corporate governance, and voluntarily complies with, subject to a small number of exceptions listed below, the supporting principles and provisions set out in the Code.

The following describes the ways in which the Company does not comply with the detailed provisions of the Code and the Board's rationale thereon:

• given the size of the Board and the Company's current limited operational status, certain provisions of the Corporate Governance Code (in particular the provisions relating to the composition of the Board and the division of responsibilities between the Chairman and chief executive and executive compensation), are not being complied with by the Company as the Board does not consider these provisions to be appropriate for the Company;

• the Board as a whole will review auditand risk matters, on the basis of adopted terms of reference governing the matters to be reviewed and the frequency with which such matters are considered. The Board as a whole will also take responsibility for the appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance;

• the Board as a whole will be responsible for the appointment of executive and non-executive Directors. The Company does not currently believe it is necessary to have a separate nominations committee at this time. The requirement for a nominations committee will be considered on an ongoing basis;

• the Board believes in the benefits of diversity, including the need for diversity in order to effectively represent shareholders' interests. This diversity is not restricted to gender but also includes geographic location, nationality, skills, age, educational and professional background. The board's policy remains that selection should be based on the best person for the role;

• the Board as a whole will consider the Board's size, structure and composition and the scale and structure of the Directors' fees, taking into account the interests of Shareholders and the performance of the Company;

• the Board does not comply with the provision of the Corporate Governance Code that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be sufficiently independent;

• the Company has in place procedures ensuring compliance with the new Market Abuse Regulation and the Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Market Abuse Regulation by the Directors; and

• the Company will not seek Shareholder approval at a general meeting in respect of any further acquisitions it may make, unless it is required to do so for the purposes of facilitating the financing arrangements or for other legal or regulatory reasons.

The Board of Directors
As at 31 December 2021, the Board of Directors comprised two members: one Executive Director and one Non-Executive Directors. The Executive Director has a wealth of experience analytically covering the oil and gas industry. Similarly, the Non-Executive Director has extensive corporate and financial experience.

The Company has a policy of appraising Board performance annually and had adopted an internal policy of regular face to face meetings in which all Board members discuss any issues as and when they arise in relation to the Board or any individual member's performance.

Board Meetings
The Board ordinarily meets on a bi-monthly basis and as and when further required, providing effective leadership and overall management of the Group's affairs by reference to those matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors, in a timely manner, prior to the Board meetings. Board meetings were mostly held telephonically

	Number held and entitled to attend	**Number actually attended**
Thomas Evans	6	16
Olof Rapp	6	16
Philip Nash	6	11
Keith Edelman	6	6

Internal Controls
The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future developments of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Relations with Shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates on the Company website. The Board views the Annual General Meeting as a forum for communication between the Group and its shareholders and encourages their participation in its agenda.

Olof Nils Anders Rapp
Non-Executive Director, Chairman
12 July 2022

The Company's Remuneration Committee comprises one Non-Executive Director, Olof Rapp.

Pennpetro's Remuneration Committee operates within the terms of reference approved by the Board. In the year to 31 December 2021, the Remuneration Committee documented one review.

The items included in this report are unaudited unless otherwise stated.

Committee's main responsibilities

- The Remuneration Committee considers the remuneration policy, employment terms and remuneration of the Executive Director;
- The Remuneration Committee's role is advisory in nature and it makes recommendations to the Board on the overall remuneration package for the Executive Director in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives;
- The Remuneration Committee also reviews proposals for any share option plans and other incentive plans, makes recommendations for the grant of awards under such plans as well as approving the terms of any performance-related pay schemes;
- The Board's policy is to remunerate the Company's executives fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel; and
- The Remuneration Committee, when considering the remuneration packages of the Company's executives, will review the policies of comparable companies in the industry.

Directors' remuneration (audited)

Fees and benefits of $340,922 were payable to Directors who held office during the year ended 31 December 2021 (2020: $530,672).

Director Thomas Evans has received a loan of £10,000 which was outstanding as at 31 December 2021. The loan is repayable within 12 months.

	Salary $	Valuation of options $	Taxable benefits $	Other receipts received $	Pension benefits $	2021 Total $
Keith Edelman	13,528	27,601	-	-	-	41,129
Olof Rapp	40,306	79,913	-	-	-	120,219
Philip Nash	17,558	41,797	-	-	-	59,355
Thomas Evans	40,306	79,913	-	-	-	120,219
	111,698	**229,224**	**-**	**-**	**-**	**340,922**

	Salary $	Valuation of options $	Taxable benefits $	Other receipts received $	Pension benefits $	2020 Total $
Keith Edelman	47,026	90,682	-	-	-	137,708
Olof Rapp	40,306	90,682	-	-	-	130,988
Philip Nash	40,306	90,682	-	-	-	130,988
Thomas Evans	40,306	90,682	-	-	-	130,988
	167,944	**362,728**	**-**	**-**	**-**	**530,672**

The Director's remuneration is disclosed in full in the above table and is not linked to performance.

All Directors' service contracts are kept available for inspection at the Company's registered office.

All shares and interests held by the Directors are disclosed in the Directors' report.

The share options expired on 2 November 2021. No options were exercised.
Details of the share-based payments are included in note 19.

Total pension entitlements (audited)
The Company currently does not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

Payments to past directors (audited)
The Company has not paid any compensation to past Directors.

Payments for loss of office (audited)
No payments were made for loss of office during the year.

Directors interests in share warrants (audited)
None of the Directors had interests in share warrants.

Directors' and Officers' indemnity insurance
The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the previous period and remain in force at the date of this report.

Consideration of shareholder views
The Remuneration Committee considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's periodic reviews of its policy on remuneration.

Statement of policy on Directors' remuneration
The Company's policy is to maintain levels of remuneration so as to attract, motivate, and retain Directors and Senior Executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations. Currently Director's remuneration is not subject to specific performance targets.

In future periods, the Company may implement a remuneration policy so that a meaningful proportion of Executive remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. The Remuneration Committee considers remuneration policy and the employment terms and remuneration of the Directors and makes recommendations to the Board of Directors on the overall remuneration packages for Directors. No Director takes part in any decision directly affecting their own remuneration.

Policy for new appointments
Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Policy on payment for loss of office
Payment for loss of office would be determined by the Remuneration Committee, taking into account contractual obligations.

Other matters
The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

Olof Nils Anders Rapp
Non-Executive Director, Chairman
12 July 2022

The Audit Committee comprises two Directors, Olof Rapp and Tom Evans. It oversees the Company's financial reporting and internal controls and provides a formal reporting link with the external auditors. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly report remains with the Board.

Main Responsibilities
The Audit Committee acts as a preparatory body for discharging the Board's responsibilities in a wide range of financial matters by:

- monitoring the integrity of the financial statements and formal announcements relating to the Company's financial performance;
- reviewing significant financial reporting issues, accounting policies and disclosures in financial reports, which are considered to be in accordance with the key audit matters identified by the external auditors;
- overseeing that an effective system of internal control and risk management systems are maintained;
- ensuring that an effective whistle-blowing, anti-fraud and bribery procedures are in place;
- overseeing the Board's relationship with the external auditor and, where appropriate, the selection of new external auditors;
- approving non-audit services provided by accounting firms; and
- ensuring compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules.

Governance
The Code requires that at least one member of the Audit Committee has recent and relevant financial experience. Both directors have served in financial executive and managing director roles. As a result, the Board is satisfied that the Audit Committee has recent and relevant financial experience.

Members of the Audit Committee are appointed by the Board and whilst shareholders, the Company believes they are considered to be independent in both character and judgement.

The Company's external auditor, Crowe U.K. LLP, did not provide any non-audit services in the period.

The Audit Committee believes that the Company does not require an internal audit function due to the current size of the organisation and its operations.

Meetings
In the year to 31 December 2021 the two members of the Audit Committee have met twice.

The key work undertaken by the Audit Committee is as follows;

- interview of external auditors and recommendation to the Board;
- review of audit planning and update on relevant accounting developments;
- consideration and approval of the risk management framework, appropriateness of key performance indicators;
- consideration and review of full-year results;
- review of the effectiveness of the Audit Committee; and
- review of internal controls.

The Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditor.

External auditor
The Audit Committee appointed Crowe U.K. LLP as auditors to the Company, commencing with the first audit of the year ended 31 December 2018. The external auditor has unrestricted access to the Audit Committee Chairman. The Committee is satisfied that Crowe U.K. LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained.

The external auditors report to the Audit Committee annually on their independence from the Company. In accordance with professional standards, the partner responsible for the audit is changed every five years. The current auditor, Crowe U.K. LLP were first appointed by the Company in 2019 following a tender process and therefore the current partner is due to rotate off the engagement after completing the December 2022 audit. Having assessed the performance objectivity and independence of the auditors, the Committee will be recommending the reappointment of Crowe U.K. LLP as auditors to the Company at the 2021 Annual General Meeting.

Olof Rapp
Non-Executive Director, Chairman
12 July 2022

Opinion

We have audited the financial statements of Pennpetro Energy Plc (the "company") and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included obtaining management's assessment of going concern for the period to 31 December 2023 and evidence of the facilities available to the Group and Company to enable it to have access to cash to be able to continue as a going concern. As part of our assessment we considered the impact of two events after year end where the Company issued new ordinary shares and Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. We noted that there was sufficient headroom available in other facilities to enable the Petroquest loan to be repaid at its revised maturity date of 31 December 2023 also considering the planned expenditure of the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be $120,000, based on 2% of total assets (2020: $120,000). The materiality applied for the parent company was $79,000.

Overview of our audit approach (continued)

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. The performance materiality for the group was $84,000 and $55,000 for the parent company.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of $3,600 (2020: $3,600). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Company and Group finance function is based in the United Kingdom and a full scope audit was carried out thereon from our office, and with discussions with management as required and information being requested from the US where appropriate. This provided us with sufficient evidence for our opinion on the Group and Company financial statements.

Key Audit Matters

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

In addition to the matter described in the conclusion related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our audit report. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our scope addressed the key audit matter**
Valuation of producing properties and capitalised drilling costs and equipment – see note 4.2 The group's primary focus is onshore oil and gas exploration and production in Texas, USA. As at 31 December 2021 assets totalling $5.6m were recognised comprising Petroleum Leases within property, plant and equipment of $1.4m (held under IAS 36) and Drilling Costs within intangible assets of $4.2m (held under IFRS 6). We considered the risk that these assets are impaired.	We reviewed management's assessment which concluded that there are no facts or circumstances that suggest the recoverable amount of the asset does not exceed the carrying amount. In considering this assessment we reviewed the following sources of evidence: • The primary lease agreements in place supporting the company's right of extraction; • The competent persons report that formed the basis of the valuation; • Discussing plans and intentions with management, reviewing supporting budgets and evidencing planning work undertaken; and • Assessing oil price assumptions used when assessing the commercial potential and likely recoverable amount We are satisfied that there are no indicators of impairment in respect of the drilling costs and that the estimated recoverable amount in respect of the petroleum leases is in excess of the carrying value.

Key audit matter	How our scope addressed the key audit matter
Carrying value of investments on the parent company Statement of Financial Position – see note 4.2 Included in the parent company Statement of Financial Position is investments in subsidiaries with a value of $7.0m. As part of our audit we considered the risk that the investments were impaired.	We considered whether there was any evidence of impairment. This included considering: • Whether the current market capitalisation was below the carrying value of the investments. Management's plans for the subsidiaries and how they would generate cash in the future to provide a return on the investment, this included management's plans and intentions for the oil and gas assets held within the subsidiaries as disclosed in the key audit matter above.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

Explanation as to what extent the audit was consider capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the Company.

- We gained an understanding of the legal and regulatory framework applicable to the Group and Company and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. The most significant identified was compliance with relevant regulations for oil and gas companies in the state of Texas, where the Group has the majority of its operations, and compliance with the UK Companies Act. Our work included enquiry of management, review of legal invoices and publicly available information on violations and inspections from the relevant authority in Texas.
- We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment. We considered the risk was greater in areas that involve significant management estimate or judgement and we designed our procedures accordingly to focus on such areas. Such procedures included testing journal transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were first appointed by the Board on 25 March 2019. Our total uninterrupted period of engagement is four years, covering the periods ending 31 December 2018 to 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company and we remain independent of the group's and the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

13 July 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Continuing Operations			
Revenue		-	66,798
Administrative expenses	6	(1,021,046)	(1,378,164)
Operating Loss		**(1,021,046)**	**(1,311,366)**
Finance income	9	-	2,058
Finance costs	9	(290,661)	262,796
Loss before Tax		**(1,311,707)**	**(1,046,512)**
Income tax	10	-	-
Loss for the year attributable to owners of the parent		**(1,311,707)**	**(1,046,512)**
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(6,838)	79,008
Other Comprehensive Income for the Year		(6,838)	79,008
Total Comprehensive Income for the Year attributable to the owners of the parent		**(1,318,545)**	**(967,504)**
Loss per share attributable to the owners of the parent during the year			
Basic (cents per share)	11	(1.72)	(1.39)
Diluted (cents per share)		(1.72)	(1.39)

The notes on pages 40 to 67 form part of these financial statements.

PENNPETRO ENERGY PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
ASSETS			
Non–Current Assets			
Property, plant and equipment	12	1,384,931	1,384,314
Intangible assets	13	4,233,890	4,233,890
Total Non-Current Assets		**5,618,821**	**5,618,204**
Current Assets			
Trade and other receivables	15	309,456	308,943
Short term investments	16	34,914	49,152
Cash and cash equivalents	17	1,828	1,329
Total Current Assets		**346,198**	**359,424**
TOTAL ASSETS		**5,965,019**	**5,977,628**
EQUITY AND LIABILITIES			
Equity Attributable to Owners of Parent			
Share capital	18	979,427	979,427
Share premium	18	4,121,700	4,121,700
Convertible reserve		6,021,575	6,021,575
Reorganisation reserve		(6,578,229)	(6,578,229)
Foreign exchange reserve		133,619	140,457
Share based payment reserve	19	-	838,909
Retained losses		(4,013,864)	(3,770,290)
Total Equity		**664,228**	**1,753,549**
Current Liabilities			
Borrowings	20	4,256,262	3,727,995
Trade and other payables	21	1,044,529	496,084
Total Current Liabilities		**5,300,791**	**4,224,079**
TOTAL EQUITY AND LIABILITIES		**5,965,019**	**5,977,628**

These financial statements were approved by the Board of Directors on 12 July 2022 and signed on its behalf by:

Thomas Evans
Executive Director

Company registration number: 10166359

The notes on pages 40 to 67 form part of these financial statements.

	Note	31 December 2021 $	31 December 2020 $
ASSETS			
Non–Current Assets			
Investments in subsidiaries	14	7,038,631	7,104,824
Property, plant and equipment	12	-	-
Total Non–Current Assets		**7,038,631**	**7,104,824**
Current Assets			
Trade and other receivables	15	3,093,418	3,062,112
Short term investments	16	34,914	49,152
Cash and cash equivalents	17	-	-
Total Current Assets		**3,128,332**	**3,111,264**
TOTAL ASSETS		**10,166,963**	**10,216,088**
EQUITY AND LIABILITIES			
Equity Attributable to Shareholders			
Share capital	18	979,427	979,427
Share premium	18	4,121,700	4,121,700
Convertible reserve		6,021,575	6,021,575
Foreign exchange reserve		575,249	648,279
Share based payment reserve	19	-	838,909
Retained losses		(2,866,030)	(2,942,712)
Total Equity		**8,831,921**	**9,667,178**
Current Liabilities			
Trade and other payables	21	1,335,042	548,910
Total Current Liabilities		**1,335,042**	**548,910**
TOTAL EQUITY AND LIABILITIES		**10,166,963**	**10,216,088**

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company Statement of Comprehensive Income. The loss for the parent company for the year was $991,451 (2020: $639,524).

These financial statements were approved by the Board of Directors on 12 July 2022 and were signed on its behalf by:

Thomas Evans
Executive Director

Company registration number: 10166359

The notes on pages 40 to 67 form part of these financial statements.

PENNPETRO ENERGY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to the owners of the parent							
Group	**Share Capital**	**Share Premium**	**Convertible Reserve**	**Reorganisation Reserve**	**Foreign Exchange Reserve**	**Share Based Payments Reserve**	**Retained Losses**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 January 2020	**926,711**	**1,538,636**	**6,021,575**	**(6,578,229)**	**61,449**	**438,641**	**(2,723,778)**	**(314,995)**
Loss for the year	-	-	-	-	-	-	(1,046,512)	(1,046,512)
Foreign currency translation differences	-	-	-	-	79,008	-	-	79,008
Total comprehensive loss for the year	-	-	-	-	79,008	-	(1,046,512)	(967,504)
Shares issued	52,716	2,583,064	-	-	-	-	-	2,635,780
Share based payments	-	-	-	-	-	400,268	-	400,268
Balance at 31 December 2020	**979,427**	**4,121,700**	**6,021,575**	**(6,578,229)**	**140,457**	**838,909**	**(3,770,290)**	**1,753,549**
Loss for the year	-	-	-	-	-	-	(1,311,707)	(1,311,707)
Foreign currency translation differences	-	-	-	-	(6,838)	-	-	(6,838)
Total comprehensive loss for the year	-	-	-	-	(6,838)	-	(1,311,707)	(1,318,545)
Share based payments	-	-	-	-	-	229,224	-	229,224
Lapse of share options	-	-	-	-	-	(1,068,133)	1,068,133	-
Balance at 31 December 2021	**979,427**	**4,121,700**	**6,021,575**	**(6,578,229)**	**133,619**	**-**	**(4,013,864)**	**644,228**

The notes on pages 40 to 67 form part of these financial statements.

PENNPETRO ENERGY PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Company	Share Capital $	Share Premium $	Convertible Reserve $	Share Based Payments Reserve $	Foreign Exchange Reserve $	Retained Losses $	Total Equity $
Balance at 1 January 2020	**926,711**	**1,538,636**	**6,021,575**	**438,641**	**319,749**	**(2,303,188)**	**6,942,124**
Loss for the year	-	-	-	-	-	(639,524)	(639,524)
Other Comprehensive Income	-	-	-	-	328,530	-	328,530
Total comprehensive loss for the Year	-	-	-	-	328,530	(639,524)	(310,994)
Shares issued	52,716	2,583,064	-	-	-	-	2,635,780
Share based payments	-	-	-	400,268	-	-	400,268
Balance at 31 December 2020	**979,427**	**4,121,700**	**6,021,575**	**838,909**	**648,279**	**(2,942,712)**	**9,667,178**
Loss for the year	-	-	-	-	-	(991,451)	(991,451)
Other Comprehensive Income	-	-	-	-	(73,030)	-	(73,030)
Total comprehensive loss for the Year	-	-	-	-	(73,030)	(991,451)	(1,064,481)
Share based payments	-	-	-	229,224	-	-	229,224
Lapse of share options	-	-	-	(1,068,133)	-	1,068,133	-
Balance at 31 December 2021	**979,427**	**4,121,700**	**6,021,575**	**-**	**575,249**	**(2,866,030)**	**8,831,921**

The notes on pages 40 to 67 form part of these financial statements.

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Cash Flows from Operating Activities		
Loss before tax	(1,311,707)	(1,046,512)
Depreciation	-	1,536
Amortisation	-	75,094
Foreign exchange	(8,078)	1,068,243
Write off	-	(130,746)
Finance income	-	(2,058)
Finance costs	290,661	(262,796)
Share base payment charge	229,224	362,730
	(799,900)	(65,491)
Changes to working capital		
(Increase)/decrease in trade and other receivables	(511)	47,985
Increase in trade and other payables	548,671	230,113
Cash (used)/ generated in operations	**(251,740)**	**343,589**
Interest paid	-	(271,189)
Net Cash used in Operating Activities	**(251,740)**	**72,400**
Cash Flows from Investing Activities		
Increase in Development expenditure	-	(67,153)
Purchases of property, plant and equipment	(617)	(23,151)
Disposal of short-term investments	14,238	10,849
Net Cash (used in)/ generated from Investing Activities	**13,621**	**(79,455)**
Cash Flows from Financing Activities		
Loan repaid	(65,938)	-
Advances received from borrowings	304,556	-
Net Cash generated from/ (used in) Financing Activities	**238,618**	**-**
Net Increase/(Decrease) in Cash and Cash Equivalents	**499**	**(7,055)**
Cash and cash equivalents at the beginning of the year	1,329	8,384
Net increase/ (decrease) in cash and cash equivalents	499	(7,055)
Cash and Cash Equivalents at the End of the Year	**1,828**	**1,329**

The notes on pages 40 to 67 form part of these financial statements.

PENNPETRO ENERGY PLC
COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Cash Flows from Operating Activities		
Loss before tax	(991,451)	(639,524)
Depreciation	-	959
Share based payments	229,224	362,730
Unrealised foreign exchange	(6,838)	160,386
	(769,065)	(115,449)
Changes to working capital		
Increase in trade and other receivables	(31,306)	(196,597)
Increase in trade and other payables	786,133	301,197
Cash used in operations	**(14,238)**	**(10,849)**
Net cash used in Operating Activities	**(14,238)**	**(10,849)**
Cash Flows from Investing Activities		
Disposal of short-term investments	14,238	10,849
Net Cash used in Investing Activities	**14,238**	**10,849**
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares	-	-
Issue costs	-	-
Net Cash generated from Financing Activities	**-**	**-**
Net movement in Cash and Cash Equivalents	**-**	**-**
Cash and cash equivalents at the beginning of the year	-	-
Exchange gain on cash and cash equivalents	-	-
Net Decrease in cash and cash equivalents	-	-
Cash and Cash Equivalents at the End of the Year	**-**	**-**

The notes on pages 40 to 67 form part of these financial statements.

1. GENERAL INFORMATION

Pennpetro Energy plc (the "Company") is a public limited company which is listed on the standard market of the London Stock Exchange and incorporated and domiciled in England and Wales. Its registered office address is 20b Wilton Row, London, SW1X 7NS.

The consolidated financial statements of the Company consist of the following companies (together "the Group"):

Pennpetro Energy plc	UK registered company
Pennpetro USA Corp	US registered company
Nobel Petroleum USA Inc	US registered company
Nobel Petroleum LLC	US registered company
Nobel Petroleum UK Limited	UK registered company
Pennpetro Greentec Limited	Cyprus registered company
Pennpetro Greentec UK Limited	UK registered company
Pennpetro Green Energy Limited	UK registered company

The Group is an oil and gas developer with assets in Texas, United States. The Company's US-based subsidiaries own a portfolio of leasehold petroleum mineral interests centred on the City of Gonzales, in southeast Texas, comprising the undeveloped central portion of the Gonzales Oil Field.

2. 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.

2.1 Basis of preparation

These consolidated financial statements have been prepared and approved by the Directors in accordance with the UK adopted International Accounting Standards.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the international financial reporting standards 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 disclosed in note 4.

2.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries (the "Group").

Subsidiaries include all entities over which 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Acquisition

On 17 May 2017 Pennpetro Energy plc ("Pennpetro") acquired 100% of the issued capital of Nobel Petroleum UK Limited ("Nobel UK") in a share for share exchange with the shareholders of Nobel UK's parent company at that time, Nobel Petroleum Ireland Limited ("Nobel Ireland"). Due to the relative size of the companies, Nobel Ireland's shareholders became the majority shareholders in the enlarged share capital. Pennpetro's shares were later listed on the London Stock Exchange in December 2017.

The transaction fell outside the scope of IFRS 3 ("Business Combinations") and as such has been treated as a reverse merger and accounted for as a share-based payment transaction which should be accounted for in accordance with IFRS 2. On the basis of the guidance in paragraph B21 of IFRS 3, the reverse merger has been treated as a continuation of the Nobel Group into the Pennpetro Group. The consideration included the issue of new share capital and the issue of a convertible bond.

Pennpetro was incorporated with the intention of obtaining a listing on the LSE shortly after completing a reverse merger with Nobel UK by way of a share swap with Nobel UK's parent company Nobel Ireland. Nobel Ireland's shareholders retained a majority interest in the listed Pennpetro after the transaction.

2.3 Business combinations

The acquisition of the other subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, and the equity interests issued. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition related costs are expensed as incurred. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.4 Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the Executive Director's Statement. In addition, notes 3 and 24 to the financial statements disclose the Group's and Company's objectives, policies and processes for managing financial risks and capital.

On 2 June 2021, the Company announced the execution of a three-year £20,000,000 Share Subscription Facility Agreement ("Facility") with GEM Global Yield LLC SCS, Luxembourg, and GEM Yield Bahamas Limited (GEM Global). This new surce of funds will enable the group to re-establish its operations in Texas and fund the Group's ongoing cashflow needs.

On 16 March 2022, the Company raised £350,000 gross proceeds through the issue of 1,166,667 new ordinary shares at a price of 30p per share.

On 29 June 2022, Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. The revised maturity date on the loan is 31 December 2023.

The Group has prepared cashflow forecasts to 31 December 2023. The Directors have considered these forecasts and have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence through to 31 December 2023 as projected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Going concern (continued)

This is subject to material adverse unforeseen events that may occur, including but not limited to oil and gas prices and further hinderances to operations as a result of the Covid-19 pandemic.

The Directors continue to consider it appropriate to prepare the Group and Company financial statements on a going concern basis.

2.5 New standards, amendments and interpretations adopted by the Group and Company

The following IFRS or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standards /interpretations	Application
IFRS 16	Amendments to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification
IAS 1 & IAS 8 amendments	Amendments regarding the definition of materiality
IFRS 3 amendments	Amendments to clarify the definition of a business and amendments updating a reference to the conceptual framework

2.6 New standards, amendments and interpretations not yet adopted

Standards /interpretations	Application
IAS 1 amendments	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. Effective: Annual periods beginning on or after 1 January 2023
IFRS 3 amendments	Business Combinations – Reference to the Conceptual Framework. Effective: Annual periods beginning on or after 1 January 2022
IFRS 16	Amended by Covid-19 Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16) Effective: Annual periods beginning on or after 1 April 2021
IAS 8	Amendments regarding the definition of accounting estimates Effective Annual periods beginning on or after 1 January 2023
IAS 12	Amendments resulting from Deferred tax related to Assets and Liabilities arising from a single transaction. Effective Annual periods beginning on or after 1 January 2023
IAS 16 amendments	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 intended use. Effective: Annual periods beginning on or after 1 January 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 New standards, amendments and interpretations not yet adopted (continued)

IAS 37 amendments	Amendments regarding the costs to include when assessing whether a contract is onerous. Effective: Annual periods beginning on or after 1 January 2022
IFRS 1, IFRS 9, IFRS 16, IAS41	Annual Improvements to IFRS Standards 2018-2020 Cycle. (Fees in the '10 per cent' test for derecognition of financial liabilities) Effective: Annual periods beginning on or after 1 January 2022

There are no IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company or Group.

2.7 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

2.8 Foreign Currency Translation

- *Functional and presentation currency*
  Items included in each of the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK parent entity and Nobel UK Limited is pound sterling and the functional currency of the US subsidiaries is US dollars. The financial statements are presented in US Dollars, rounded to the nearest dollar, which is the Group's and Company's presentation currency.
- *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 such items are re-measured. 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 Statement Of Comprehensive Income.
- *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 for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
  - income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
  - all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment

Following evaluation of successful exploration of wells, if commercial reserves are established and the technical feasibility of extraction demonstrated, and once a project is sanctioned for commercial development, then the related capitalised exploration costs are transferred into a single field cost centre within 'producing properties' within property, plant and equipment after testing for impairment.

The net book values of 'producing properties' are depreciated on a unit of production basis at a rate calculated by reference to proven and probable reserves and incorporating the estimated future cost of developing and extracting those reserves once production has commenced.

The Petroleum (Mineral lease) expenditure to date is over land that has already had historical vertical drilled wells and has proven oil reserves. All these costs were therefore immediately capitalised within property, plant and equipment.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated, are capitalised within 'drilling costs and equipment' on a well-by-well basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

All property, plant and equipment other than oil and gas assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets, over their estimated useful lives, on a straight-line basis as follows:
Office equipment – 4 years
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

2.10 Intangible assets

- ***Development expenditure***
  Expenditure on the drilling of development wells, including service, is capitalised initially within intangible fixed assets and when the well has formally commenced commercial production, then it is transferred to property, plant and equipment and is depreciated from the commencement of production as described in the accounting policy for property, plant and equipment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

- ***Drilling costs and Petroleum mineral leases***

  The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

  Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets as drilling costs. Drilling costs are initially capitalised on a well-by-well basis until the success or otherwise has been established. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercially viable. Drilling costs are subsequently transferred to 'Drilling expenditure' within property, plant and equipment and depreciated over their estimated useful economic life. All such costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop or otherwise extract value from the discovery. Where this is no longer the case, the costs are immediately expensed to the Statement of Comprehensive Income.

2.11 Impairment of Non-Financial Assets

Assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each reporting date. 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 to sell 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.

2.12 Financial assets

Classification

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures its financial assets at amortised cost which comprise 'trade and other receivables' and 'cash and cash equivalents'.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

Recognition and measurement

At initial recognition, an entity shall measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, an entity shall measure trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Derecognition also takes place for certain assets when the Group writes-off balances pertaining to the assets deemed to be uncollectible.

Impairment of financial assets
IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The impairment model applies to the Group's financial assets and loan commitments. The Group recognises lifetime expected credit losses ("ECL") when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group is satisfied that the credit risk of its financial assets has not significantly increased and no provision for losses is required. The Group has concluded this on the basis of ongoing monitoring of the credit status of bank counterparties and the long-term operating relationships that the Group has with the other debtor counterparties.

2.13 Short term investments
Short term investments include amounts held in bank accounts and deposits by intermediaries that have been approved by the Directors.

2.14 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks.

2.15 Trade and other payables
Trade and other payables are initially measured at fair value, net of transaction costs that are directly attributable to the issue of the financial liability and are subsequently measured at amortised cost using the effective interest method if the time value of money is significant.

2.16 Borrowings
Borrowings are recognised initially at fair value minus transaction costs that are directly attributable to the issue of the financial liability. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.18 Reserves

The reverse merger as described in Accounting Policy 2.2; the acquisition has been accounted for as a share-based payment transaction which should be accounted for in accordance with IFRS 2. On the basis of the guidance in para 13A of IFRS 2, the reverse merger has been treated as a continuation of the Nobel Group into the Pennpetro Group. The consideration included the issue of new share capital and the issue of a convertible bond. The total consideration less the share capital in Nobel UK resulted in the creation of the reorganisation reserve.

The convertible reserve represents the principal value of a mandatory convertible note issued by Pennpetro Petroleum plc to Nobel Petroleum Ireland Limited in part consideration for the acquisition of Nobel Petroleum UK under an agreement dated 17 May 2017.

The translation reserve represents effects of currency translation in the year.

2.19 Taxation

The tax expense or credit comprises current and deferred tax. It is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.20 Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The CODM is determined to be the board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Share based payments

All services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options/warrants awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share based payments are ultimately recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to other reserves in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options/warrants expected to vest. Non-market vesting conditions are included in assumptions about the number of options/warrants that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options/warrants expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within the Statement of Comprehensive Income.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and interest rate risk), credit risk and liquidity risk.

Market risk

The Group operates in an international market for hydrocarbons and is exposed to risk arising from variations in the demand for and price of the hydrocarbons. Oil and gas prices historically have fluctuated widely and are affected by numerous factors over which the Group has no control, including world production levels, international economic trends, exchange rate fluctuations, speculative activity and global or regional political events.

Currency risk

The majority of the Group's purchase transactions and expenditure are denominated in US dollars. The currencies are stable, and any exchange risk is managed by maintaining bank accounts denominated in those currencies.

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Group's principal financial assets are cash and cash equivalents, other receivables and short-term investments.

Credit risk represents the risk of loss the Group would incur if third party operators and counterparties fail to fulfil their credit obligations. The risk is concentrated between a relatively small group of operators given the small number of parties involved in oil and gas exploration and production activities. The Group seeks to mitigate this risk where possible by assessing the credit quality of the participants and by establishing ongoing and long-term relationships.

The initial credit risk on cash and cash equivalents and short-term investments is limited because it is the Group's policy to invest with banks that firstly offer the greatest degree of security in the view of the Group and, secondly the most competitive interest rates. The credit risk for short term investments and cash and cash equivalents is considered negligible since the counterparties are reputable banks.

Other receivables include amounts due from parties that have been involved in the Gonzales Project since its inception and continue to have an interest in the Group in their capacity as shareholders in Pennpetro or as lenders to the Group. Other receivables are therefore initially considered low credit risk.

Other receivables are considered in default if the entity or party has not settled its payment obligation by the due date set out in the underlying contracts and agreements.

A loss allowance is recognised for expected credit losses on all financial assets held at the balance sheet date. Given risk mitigation steps undertaken by the Directors, no provision has been made for losses.

The maximum exposure due to credit risk for the Group on financial assets during the year was \$346,198 (2020: \$359,424). All amounts are expected to be received in full and on time.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while seeking to maintain sufficient headroom on its undrawn committed borrowing facilities (note 20) at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal Statement of Financial Position ratio targets, and, if applicable, external regulatory or legal requirements (for example, currency restrictions).

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Group **At 31 December 2021**	**Less than 1 year $**	**Between 1 and 2 years $**	**Between 2 and 3 years $**
Borrowings (undiscounted)	4,190,324	-	-
Trade and other payables	1,044,529	-	-
At 31 December 2020			
Borrowings (undiscounted)	4,242,366	-	-
Trade and other payables	496,086	-	-

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below.

4.2 Critical accounting judgements

- ***Recoverability of non-producing mineral leases and capitalised drilling costs & equipment***

Management tests annually whether non-producing mineral leases have future economic value in accordance with the accounting policies. This assessment takes into consideration the likely commerciality of the asset, the future revenues and costs pertaining and the discount rates to be applied for the purposes of deriving a recoverable value. In the event that a lease does not represent an economic drilling target and results indicate that there is no additional upside, the mineral lease and drilling costs will be impaired. The Directors have reviewed the estimated value of the licences and have concluded that an impairment charge of $Nil (2020: $Nil) should be recognised. The Directors do not consider that there is a significant risk of material adjustment to the estimated value of the leases given the underlying value of proven reserves and the successful testing, trials and completion of the initial well.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical accounting judgements (continued)

- ***Impairment of investments***

The Directors have assessed at year end whether there is any indication that the carrying value of the Company's investment in its subsidiaries has been impaired. The Directors have determined that the value of the assets owned by its subsidiaries, namely the mineral leases, the proven oil and gas reserves and Net Revenue Interests are significantly higher than the Investment carried in the Company's books. The Directors therefore do not consider any impairment is necessary. The Directors do not consider that there is a significant risk of material downward adjustment to the estimated levels of proven and probable reserves in the next 12 months, but have disclosed this as an area of significant estimation based on the size of the balance.

- ***Going concern***

When assessing going concern the Directors considered whether there was a material uncertainty The Company is currently looking to draw down funds under the Share Subscription Facility awarded on 2 June 2021.. The Directors have considered the current share price and historic pricing movements and are satisfied, based on this, that adequate funds will be received that, in conjunction with existing sources of finance, will enable the Group to continue to operate as a going concern for at least 12 months from the date of signature. On 16 March 2022, the Company raised £350,000 gross proceeds through the issue of 1,166,667 new ordinary shares at a price of 30p per share. Additionally, on 29 June 2022, Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. The revised maturity date on the loan is 31 December 2023. On this basis the Directors did not consider there to be a material uncertainty in respect of going concern.

- ***Estimated impairment of producing properties and capitalised drilling costs & equipment***

At 31 December 2021, petroleum mineral leases and capitalised drilling costs & equipment on petroleum properties have a total carrying value of $5,618,821 (2020: $5,618,204), (notes 12 and 13). Management tests annually whether the assets have future economic value in accordance with the accounting policies and has placed reliance on the Competent Persons Report ("CPR") prepared in December 2017.

All of the mineral leases were offered on an initial term of three years with an option to extend them by two years. All of the leases covering the initial permit area do not need renewing whilst there is any production from the permitted area. The initial drilled well COG#1-H was drilled within the initial term and is classified by the Texas Commission as a production unit and therefore leases are held pursuant to that production status.

The recoverable amount of each property has been determined based on a value in use calculation which requires the use of certain estimates and assumptions such as long-term commodity prices (i.e. oil and gas prices), pre-tax discount rates, operating costs, future capital requirements and mineral resource estimates. These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the recoverable amount.

The following information has been used by the Directors in determining the recoverability of the Company's Petroleum properties. The Source for this information is the CPR prepared in December 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- ***Estimated impairment of producing properties and capitalised drilling costs & equipment (continued)***

  - The Pennpetro Group owns approximately 1,000 leases on 2,500 acres in Gonzales, Texas.
  - The Group's Net Working Interests are 4,000 Mbbl of oil and 2,000 MMcf of gas.
  - Base case oil sold is assumed at $33 per barrel and gas at $3.20 per thousand cubic feet.
  - WTI Oil initially for two years at $33 then at $45 and gas pricing held constant to depletion in 2031.
  - The total proved future Net Revenue Interest after costs as at 1 June 2021: Undiscounted $120m (2020: $92m).

The Directors are comfortable in relying on the CPR for the following reasons:

- The oil sold price used by the Directors in their revised assessment of future Net Revenue of $33, is lower than current and future forecast WTI prices. The WTI price as at 23 June 2022 was $105.32 (source: Bloomberg markets).
- Operating costs remain unchanged.
- The Group increased its Working Interest to 100% during 2019 and consequently its Net Revenue Interest increased to 75%. This was as a result of taking legal ownership of the remaining participants interests in the Gonzales Project.
- The effect of the increase in the Group's Net Revenue Interest counteracts the reduction in oil price used by the Directors in calculating the total proved future Net Revenue Interest after costs.

Based on the information provided in the CPR, updated for changes in Net Revenue Interest and oil price, the Directors have determined that the Company's oil properties have not been impaired as at the 31 December 2021. The Directors also do not consider that there is a significant risk of material adjustment to the estimates used to assess impairment of producing properties and capitalised drilling costs & equipment in the next 12 months, but have disclosed this as an area of significant estimation based on the size of the balance.

5. SEGMENTAL INFORMATION

The Group operates in two geographical areas, the United Kingdom and the United States of America. Activities in the UK are mainly administrative in nature whilst the activities in the USA relate to exploration and production from oil and gas wells. The reports reviewed by the Board of Directors that are used to make strategic decisions are based on these geographical segments.

Year ended 31 December 2021

	USA $	UK $	Intra-segment balances $	Total $
Revenue	-	-	-	-
Operating loss	(29,595)	(991,451)	-	(1,021,046)
Depreciation & amortisation	-	-	-	-
Capital expenditure	617	-	-	617
Development expenditure	-	-	-	-
Total assets	6,050,937	3,128,332	(3,042,414)	5,965,019
Total liabilities	3,593,419	1,335,042	(3,042,414)	5,300,791

Year ended 31 December 2020

	USA $	UK $	Intra-segment balances $	Total $
Revenue	66,798	-	-	66,798
Operating profit/(loss)	(671,842)	(639,524)	-	(1,311,366)
Depreciation & amortisation	577	959	-	1,536
Capital expenditure	23,151	-	-	23,151
Development expenditure	67,153	-	-	67,153
Total assets	5,877,838	3,111,264	(3,011,474)	5,977,628
Total liabilities	6,686,644	548,910	(3,011,474)	4,224,080

5. SEGMENTAL INFORMATION (continued)

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Segmental assets for reportable segments	5,965,019	5,977,628
Total assets per Statement of Financial Position	5,965,019	5,977,628

Information about major customers/operating partners
At 31 December 2021, Nobel USA held a 100% Working Interest (2020: 100%) in the leasehold petroleum interests which are centred on the City of Gonzales, southwest Texas, USA, comprising the undeveloped central portion of the Gonzales Oil Field.

6. EXPENSES BY NATURE

Group	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Legal, professional and compliance costs	186,028	84,192
Depreciation and amortisation	-	76,630
Foreign exchange loss	22,307	743,679
Loan arrangement fee	550,033	-
Other costs	262,678	473,663
Total administrative expenses	**1,021,046**	**1,378,164**

7. AUDITOR REMUNERATION

Services provided by the Company's auditor and its associates
During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor:

	Year ended 31 December 2021 $	Year ended 31 December 2020 $
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial Statements	**38,400**	**32,000**

8. STAFF COSTS

Group and Company	2021 $	2020 $
Wages and salaries	114,652	160,000
Social security costs	7,233	12,146
Valuation of options	229,224	362,730
	351,109	**534,876**

Directors' Emoluments

		2021 $	2020 $
Keith Edelman (resigned on 15 April 2021)	Emoluments	13,528	47,026
	Valuation of options	27,601	90,682
Olof Rapp	Emoluments	40,306	40,306
	Valuation of options	79,913	90,682
Philip Nash (resigned on 8 June 2021)	Emoluments	17,558	40,306
	Valuation of options	41,797	90,682
Thomas Evans	Emoluments	40,306	40,306
	Valuation of options	79,913	90,682
		340,922	**530,672**

The Group does not employ any full-time employees at its US subsidiaries. Instead the Group uses specialist service providers to fulfil its well drilling and land management requirements.

The average monthly number of staff, including the Directors, during the financial year was as follows:

	2021	2020
Directors	3	4

9. FINANCE INCOME AND FINANCE COSTS

	2021 $	2020 $
Loan adjustment for effective interest and bank interest	-	2,058
Interest expense	290,661	262,796

10. INCOME TAX

The tax charge for the year is $Nil (2020: $Nil).

Factors affecting the tax charge for the period

The tax charge for each year is explained below:

	2021 $	2020 $
Loss for the year before taxation	(1,311,707)	(1,046,512)
UK Loss before tax multiplied by the UK tax rate 19% (2020: 19%)	(249,224)	(198,837)
Tax effect of:		
Expense not deductible for tax purposes	-	-
Unutilised tax losses carried forward	249,224	198,837
	-	-

The Group has UK tax losses of approximately $913,199 (2020: $663,895) to carry forward against future profits. The Directors have not recognised a deferred tax asset on the losses to date due to the uncertainty of recovery.

On 10 June 2021, the UK Government's proposal to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted into UK law.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following loss and number of shares:

	2021	2020
Group:		
Loss attributable to equity holders of the parent ($)	1,311,707	1,046,512
Weighted average number of shares (number)	76,452,106	75,109,393
Loss per share (cents)	(1.72)	(1.39)

There is no difference between the basic and diluted earnings per share as the effect would be to increase the loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Petroleum (Mineral Leases) $	Office equipment $	Total $
Cost			
At 1 January 2020	**1,361,163**	**11,512**	**1,372,675**
Additions	23,151	-	23,151
Currency translation	-	275	275
At 31 December 2020	**1,384,314**	**11,787**	**1,396,101**
Additions	617	-	617
Currency translation	-	(88)	(88)
At 31 December 2021	**1,384,931**	**11,699**	**1,396,630**
Accumulated Depreciation			
At 1 January 2020	**-**	**9,941**	**9,941**
Charge for the year	-	1,536	1,536
Currency translation	-	310	310
At 31 December 2020	**-**	**11,787**	**11,787**
Charge for the year	-	-	-
Currency translation	-	(88)	(88)
At 31 December 2021	**-**	**11,699**	**11,699**
Net Book Amount			
At 31 December 2020	1,384,314	-	1,384,314
At 31 December 2021	**1,384,931**	**-**	**1,384,931**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Office equipment $**
Cost	
At 1 January 2020	**9,203**
Additions	-
Currency translation	275
At 31 December 2020	**9,478**
Additions	-
Currency translation	(88)
At 31 December 2021	**9,390**
Accumulated Depreciation	
At 1 January 2020	**8,209**
Charge for the period	959
Currency translation	310
At 31 December 2020	**9,478**
Charge for the period	-
Currency translation	(88)
At 31 December 2021	**9,390**
Net Book Amount	
At 31 December 2020	-
At 31 December 2021	**-**

Office equipment depreciation expense of $Nil (2020: $959) has been charged in administrative expenses.

13. INTANGIBLE ASSETS

Group	Drilling costs $	Loan arrangement fees $	Total $
Cost			
At 1 January 2020	**4,166,737**	**270,339**	**4,437,076**
Additions	67,153	-	67,153
At 31 December 2020	**4,233,890**	**270,339**	**4,504,229**
Additions	-	-	-
At 31 December 2021	**4,233,890**	**270,339**	**4,504,229**
Amortisation			
At 1 January 2020	**-**	**195,245**	**195,245**
Amortisation charge for the year	-	75,094	75,094
At 31 December 2020	**-**	**270,339**	**270,339**
Amortisation charge for the year	-	-	-
At 31 December 2021	**-**	**270,339**	**270,339**
Net Book Amount			
At 31 December 2020	4,233,890	-	4,233,890
At 31 December 2021	**4,233,890**	**-**	**4,233,890**

Drilling costs represents acquired exploration and evaluation assets with an undetermined useful life and are tested annually for impairment. Drilling costs are capitalised on a well by well basis if the results indicate the existence of a commercially viable level of reserves. No amounts are pledged as security for liabilities.

At 31 December 2021, the Company held, through its US based subsidiary entities, 100% in the leasehold petroleum interests centred on the City of Gonzales, southwest Texas.

Impairment review – Intangible assets
The Directors have undertaken a review to assess whether circumstances exist which could indicate the existence of impairment, considering the following indicators:

- The Group no longer has title to mineral leases.
- A decision has been taken by the Board to discontinue exploration due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the costs incurred will not be fully recovered from future development and participation.

Following their assessment, the Directors recognised that no impairment charge is necessary. Further details regarding consideration of the carrying value is contained in note 4.

14. INVESTMENTS

Investments in subsidiaries

Company	2021 $	2020 $
Shares in group undertakings		
At 1 January	**7,104,824**	**6,899,108**
Additions		
Foreign exchange movements	(66,193)	205,716
At 31 December	**7,038,631**	**7,104,824**

The Group comprises of the following subsidiaries:

Pennpetro USA Corp

Registered Office:	8 The Green Ste A, Dover, Delaware 19901, USA
Nature of business:	Oil and Gas
Class of share:	Ordinary shares
% of equity shares held by Company:	100%

Nobel Petroleum USA Inc.

Registered Office:	198 West 13th Street, Wilmington, Delaware 19801, USA
Nature of business:	Oil and Gas
Class of share:	Ordinary shares
% of equity shares held by Company:	100% via Pennpetro USA Corp

Nobel Petroleum LLC

Registered Office:	3867 Plaza Tower DR Baton Rouge, Louisiana 70816-4378, USA
Nature of business:	Oil and Gas
Class of share:	Ordinary shares
% of equity shares held by Company:	100% via Pennpetro USA Corp

Nobel Petroleum UK Limited

Registered Office:	1/88 Whitfield St. London W1T 4EZ, UK
Nature of business:	Dormant, dissolved in April 2022
Class of share:	Ordinary shares (£100)
% of equity shares held by Company:	100%

Pennpetro Greentec UK Limited

Registered Office:	1/88 Whitfield St. London W1T 4EZ, UK
Nature of business:	Dormant
Class of share:	Ordinary shares (£100)
% of equity shares held by Company:	100%

Pennpetro Green Energy Limited

Registered Office:	1/88 Whitfield St. London W1T 4EZ, UK
Nature of business:	Dormant
Class of share:	Ordinary shares (£100)
% of equity shares held by Company:	100%

14. INVESTMENTS (continued)

Pennpetro Greentec Limited

Registered Office:	1 Kalymnou, Q MERITO, 4th Floor, Agios Nikolaos, 6037 Larnaca, Cyprus
Nature of business:	IP Holding
Class of share:	Ordinary shares (€1,000)
% of equity shares held by Company:	100%

These subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company does not differ from the proportion of ordinary shares held.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 $	2020 $	2021 $	2020 $
Amounts owed from group undertakings	-	-	3,079,883	3,047,540
Other receivables	309,456	308,943	13,535	14,572
	309,456	**308,943**	**3,093,418**	**3,062,112**

The fair value of all receivables is the same as their carrying values stated above.

Group
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 $	2020 $
UK Pound Sterling	13,535	13,663
US Dollar	295,921	295,280
	309,456	**308,943**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. With respect to amounts due from Development participants, each participant has provided a lien over its lease interests and a security interest over its interest in well assets. The Group does not hold any collateral as security for other receivables.

The impact of a 10% favourable movement in the US Dollar to UK Pound would increase the carrying value of other receivables denominated in UK Pounds by approximately $1,353 (2020: $1,366). The impact of a 10% adverse movement in the US Dollar to UK Pound would reduce the carrying value of other receivables denominated in UK Pounds by approximately $1,353 (2020: $1,366).

Company
The carrying amounts of the Company's trade and other receivables are denominated in UK Pound Sterling.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security for other receivables.

The impact of a 10% favourable movement in the US Dollar to UK Pound would increase the carrying value of other receivables denominated in UK Pounds by $309,341 (2020: $306,211). The impact of a 10% adverse movement in the US Dollar to UK Pound would reduce the carrying value of other receivables denominated in UK Pounds by $309,341 (2020: $306,211).

16. SHORT-TERM INVESTMENTS

	Group		Company	
	2021 $	2020 $	2021 $	2020 $
Short-term investments	34,914	49,152	34,914	49,152

Short term investments include $34,914 (2020: $49,152) of cash being held by FHF Corporate Finance Limited on behalf of Pennpetro. The amount is held in Pounds Sterling.

Group
The carrying amounts of the Group's short-term investments are denominated in the following currencies:

	2021 $	2020 $
UK Pound Sterling	34,914	49,152
US Dollar	-	-
	34,914	**49,152**

The maximum exposure to credit risk at the reporting date is the carrying value of the short-term investment mentioned above. The Group does not hold any collateral as security.

The impact of a 10% favourable movement in the US Dollar to UK Pound would increase the carrying value of short-term investments denominated in UK Pounds by approximately $3,491 (2020: $4,915). The impact of a 10% adverse movement in the US Dollar to UK Pound would reduce the carrying value of short-term investments denominated in UK Pounds by approximately $3,491 (2020: $4,915).

Company
The carrying amounts of the Company's short-term investments are denominated in UK Pound Sterling.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 $	2020 $	2021 $	2020 $
Cash at bank	1,828	1,329	-	-

At 31 December 2021, the Group held cash of $1,828 (2020: $1,329) in banks with a Fitch credit rating of A (Stable).

18. SHARE CAPITAL AND PREMIUM

Group	Ordinary shares Number of shares	Ordinary shares Value £	Ordinary shares Value $	Share premium Value £	Share premium Value $	Total $
At 1 January 2020	**72,333,702**	**723,337**	**926,711**	**1,187,098**	**1,538,636**	**2,465,347**
Share issue	4,118,404	41,184	52,716	2,018,018	2,583,064	2,635,780
At 31 December 2020	**76,452,106**	**764,521**	**979,427**	**3,205,116**	**4,121,700**	**5,101,127**
Share issue	-	-	-	-	-	-
At 31 December 2021	**76,452,106**	**764,521**	**979,427**	**3,205,116**	**4,121,700**	**5,101,127**

Each ordinary share has a nominal value of 1 pence per share.
A convertible loan note which was issued by Pennpetro to Nobel Ireland in the Reverse merger of Nobel UK, may be converted into 19 million ordinary shares if certain conditions are met, at a fixed subscription price of 25 pence.

19. SHARE BASED PAYMENTS

Share options

On 2nd November 2018 the Company granted options under the Pennpetro Energy Plc Option Share Plan with an exercise price of £0.35p per share over, in aggregate, 1,700,000 ordinary shares of £0.01 each to Directors Keith Edelman, Phillip Nash, Tom Evans and Olof Rapp, who each received 425,000 options. The share price of the options granted are linked to the price of shares issued on listing. Options are granted at 35p, which is a modest premium to the issue price of the listing share price of 25p.

	Weighted average exercise price £	Number of awards
Exercisable at 1 January 2020	**0.35**	**1,700,000**
Awarded	-	-
Forfeited	-	-
Exercisable at 31 December 2020	**0.35**	**1,700,000**
Awarded	-	-
Expired	-	(1,700,000)
Exercisable at 31 December 2021	**-**	**-**

The share options expired on 2 November 2021. No share options were exercised by the Directors.

The fair value of the options was determined using the Black-Scholes valuation model. $229,224 (2020: $400,268) was recognised in the Statement of Comprehensive Income in relation to share based payment transactions.

20. BORROWINGS

	Group		Company	
	2021 $	2020 $	2021 $	2020 $
Current liabilities				
Corporate borrowings	4,256,262	3,727,995	-	-

As at 31 December 2021, the Group had a $5 million Loan Note arrangement with Petroquest Energy Limited, with a maturity date of 31 December 2021. In June 2021, Petroquest Energy Limited agreed to extend the maturity date to 31 December 2022.

The annual interest rate is set at 1% below Barclays Bank base rate, which has been less than 0.75% since the loan's inception and therefore no interest has been charged on the loan. The undiscounted balance drawn against this loan note as at 31 December 2021 was $4,190,324 (2020: $4,242,367). The borrowing facility is secured against certain petroleum leases owned by the Group. The discounted present value of the loan as at 31 December 2021 was $3,658,987 (2020: $3,661,045) and reflects an adjustment for effective interest calculated at 8% per annum over the remaining term of the loan.

The movement in total borrowings in the year was as follows. Borrowings are denominated partially in US dollars and partially in Pounds Sterling.

	Group		Company	
	2021 $	2020 $	2021 $	2020 $
At 1 January	3,727,995	6,078,992	-	-
Advance	304,556	66,950	-	-
Interest charge	290,661	271,189	-	-
Net repayment	(65,938)	-	-	-
Loan settlement	-	(2,324,351)		
Adjustment for effective interest	2,058	2,058		
Loan term modification adjustment	-	(533,985)	-	-
Foreign currency exchange	(3,070)	167,142	-	-
At 31 December	**4,256,262**	**3,727,995**	**-**	**-**

The fair value of borrowings equals their carrying amount. Borrowings are denominated in US dollars.
The net debt position (total borrowings less cash on hand) as at 31 December 2021 is $4,254,434 (2020: $3,726,666).

20. BORROWINGS (continued)

Group
The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2021 $	2020 $
UK Pound Sterling	304,556	66,950
US Dollar	3,951,706	3,661,045
	4,256,262	**3,727,995**

The impact of a 10% favourable movement in the US Dollar to UK Pound would increase the carrying value of borrowings denominated in UK Pounds by approximately $30,455 (2020: $6,695). The impact of a 10% adverse movement in the US Dollar to UK Pound would reduce the carrying value of the borrowings denominated in UK Pounds by approximately $30,455 (2020: $6,695).

Company
The company does not carry any borrowings.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Trade and other payables	408,726	291,412	663,510	308,171
Amounts owed to group undertakings	-	-	35,729	36,065
Accrued expenses	635,803	204,673	635,803	204,674
At 31 December	**1,044,529**	**496,085**	**1,335,042**	**548,910**

Group
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 $	2020 $
UK Pound Sterling	994,529	446,086
US Dollar	50,000	50,000
	1,044,529	**496,086**

The impact of a 10% favourable movement in the US Dollar to UK Pound would increase the carrying value of trade and other payables denominated in UK Pounds by approximately $99,453 (2020: $44,609). The impact of a 10% adverse movement in the US Dollar to UK Pound would reduce the carrying value of trade and other payables denominated in UK Pounds by approximately $99,453 (2020: $44,609).

Company
The carrying amounts of the Company's trade and other payables are denominated in UK Pound sterling. The carrying amounts of the Company's US subsidiary companies are denominated in US Dollars.

22. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Assets as per Statement of Financial Position				
Loans and receivables:				
Trade and other receivables (excluding prepayments)	309,456	308,943	3,093,418	3,062,112
Short-term investments	34,914	49,152	34,914	49,152
Cash and cash equivalents	1,828	1,329	-	-
	346,198	**359,424**	**3,128,332**	**3,111,264**
Liabilities per Statement of Financial Position				
Financial liabilities at amortised cost:				
Borrowings	4,256,262	3,727,995	-	66,950
Trade and other payables (excluding non-financial liabilities)	1,044,529	496,085	1,335,042	445,895
	5,300,791	**4,224,080**	**1,335,042**	**512,845**

Certain leases which have been capitalised in Property Plant and Equipment have been pledged as collateral against the loan from Pennpetro Bonds II Limited. No other financial assets are pledged as security. Pennpetro Bonds II Limited is not in the Pennpetro group.

23. TREASURY POLICY

The Company and Group operate informal treasury policies which include ongoing assessments of interest rate management and borrowing policy. The Board approves all decisions on treasury policy.

The Group has financed its activities by raising funds through borrowings set out in note 20 above. There are no material differences between the book value and fair value of the financial assets.

24. CAPITAL MANAGEMENT POLICIES

The Group and Company set the amount of capital in proportion to its overall financing structure and manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group considers its equity to be its capital.

The Group and Company's capital management objectives are:

- to ensure compliance with borrowing covenants;
- to ensure the Group's and Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts. The Group will continue making interest payments in accordance with financial and non-financial loan covenants.

25. CAPITAL COMMITMENTS

As at 31 December 2021 and 2020, the Group had no capital commitments for drilling and equipment costs contracted but not provided for.

26. RELATED PARTY TRANSACTIONS

Transactions with Directors

An amount of £10,000 that was previously advanced to Thomas Evans remains outstanding as at 31 December 2021 (2020: £10,000). The amount is secured against shares held by him in the Company and is due for repayment within 12 months. No interest has been charged on the advance.

Thomas Evans is a Director of Pennpetro Bonds II Limited, which provided a £2m loan facility to the Group in 2018 and was repaid in 2020. In his capacity as a Director of Pennpetro Bonds II Limited, Mr. Evans received director's fees of £Nil (2020: £Nil) from that Company. Pennpetro Bonds II Limited is not in the Pennpetro group.

Thomas Evans is a Director of the following companies which are considered as related parties:

- FHF Securities (A'Asia) Limited – a shareholder in Pennpetro with a 6.54% shareholding in the Company.
- Nobel Petroleum UK Limited which is a 100% subsidiary of Pennpetro.
- Nobel Petroleum LLC, which is a 100% directly owned subsidiary of Pennpetro USA Corp.
- Nobel Petroleum USA, Inc, which is a 100% owned subsidiary of Pennpetro USA Corp.
- Pennpetro USA Corp., which is a 100% owned subsidiary of Pennpetro.
- Pennpetro Greentec UK Limited, which is a 100% owned subsidiary of Pennpetro.
- Pennpetro Green Energy Limited, which is a 100% owned subsidiary of Pennpetro.
- Pennpetro Greentec Limited, which is a 100% owned subsidiary of Pennpetro.

Transactions with Group undertakings

During the year ended 31 December 2021, the Company provided funds to its wholly owned subsidiary Nobel Petroleum USA of $6,875 (2020: $19,480).

After the foreign exchange gains of $427,692 (2020: $432,252) the total amount due from the Group as at 31 December 2021 was $3,078,144 (2020: $3,047,540).

All Group transactions were eliminated on consolidation.

26. ULTIMATE CONTROLLING PARTY

As at 31 December 2021, there was no ultimate controlling party.

27. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2022, the Company raised £350,000 gross proceeds through the issue of 1,166,667 new ordinary shares at a price of 30p per share. The Company also announced the appointment of Peterhouse Capital Limited as broker to the Company on the same day.

On 29 June 2022, Petroquest Energy Limited extended the repayment date by one year on the loan owing by Nobel Petroleum LLC. The revised maturity date on the loan is 31 December 2023.

The Company has issued 952,268 ordinary shares to GEM Yield Bahamas Limited in lieu of fees owed as at 1 June 2022 of £266,640.