
ANNUAL FINANCIAL REPORT
2021

Cadogan Petroleum plc is an independent oil and gas exploration, development and production company with onshore gas, condensate and oil assets in Ukraine.

Summary of 2021

Key Financial Highlights of 2021:

- › Loss for the year: \$5.1 million (2020: loss of \$1.0 million)
- › Average realised price: \$55.7/boe (2020: \$32.9/boe)
- › Gross revenues¹: \$8.8 million (2020: \$5.1 million)
- › G&A²: \$3.7 million (2020: \$3.8 million)
- › Loss per share: 2.1 cents (2020: loss of 0.4 cents)
- › Cash at year end: \$15.0 million (2020: \$13.3 million)

Key Operational Highlights of 2021:

- › Production: 127,662 bbl (2020: 106,398 boe), a 20% increase year-on-year
- › Gas trading profit of \$0.6 million (2020: profit of \$0.6 million)
- › Services business loss of \$0.06 million (2020: loss of \$0.05 million), net of services provided to the group³
- › No LTI/TRI⁴
- › ISO 14001 and ISO 45001 certifications revalidated for a new 3-year term

¹ Gross revenues of \$8.8 million (2020: \$5.1 million) included \$1.8 million (2020: \$1.6 million) from trading of natural gas, \$7.0 million (2020: \$3.5 million) from exploration and production

² Administrative expenses ("G&A")

³ Astroservice LLC used its rig for the workover campaign on the Blazhiv licence

⁴ LTI: Lost Time Incidents; TRI: Total Recordable Incidents

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Group Overview

In 2021, the Group continued to maintain exploration and production assets, to conduct gas trading operations and to operate an oil services business in Ukraine. Cadogan's assets are concentrated in the West of the country. Gas trading includes the import of gas from Slovakia, Hungary and Poland and local purchase and sales with physical delivery of natural gas. The oil services business focuses on workover operations, civil works services and other services to satisfy Cadogan intra-group operational needs.

Our business model

We aim to increase value through:

- > Maintaining a robust balance sheet, monetising the remaining value of our Ukrainian assets and supplementing E&P cash flow with revenues from gas trading and oil services
- > Pursuing farm-out to progress investments in Ukrainian licences
- > Diversify Cadogan's portfolio, both geographically and operationally

Ukraine

West Ukraine

The Group continued to produce oil from its production Blazhiv licence located in the West of Ukraine. Production in 2021 continued to grow. The average net production in 2021 was 350 bbl, a 20% increase over the production of the previous year and was the highest in the company's history. This production result was achieved thanks to the full operation of the 4 wells, the optimization of the operational regimes of these wells and the successful stimulation of Blazhiv-10 well.

In March 2020 and August 2020 Usenco Nadra filed the claims with the Kyiv Administrative Court to acknowledge inaction of the State Service of Geology (SGS) as unlawful, particularly their refusal to issue the Bitlyanska 20-year exploration and development licence and requested the Court to carry out commercial activities at the area effective from December 2019. This decision was taken by the subsoil controlling authority notwithstanding that Cadogan had fulfilled all licence obligations, obtained all regulatory approvals and timely submitted the application on 19 August 2019 well ahead the licence expiry date of 23 December 2019 and the new regulatory framework. During 2021 the claims have not been considered by the Court due to delays caused by the Covid-19 pandemic. In February 2022, the company received the information from a public register that its claim was rejected by the Court. Usenco Nadra did not receive any formal court notification of such decision. Despite the restrictions imposed by the martial

law in Ukraine, Usenco Nadra exercised its right for appeal against this decision and submitted an appeal.

East Ukraine

The Pirkovska exploration licence expired in October 2015. Astrogaz filed in due time an application for a new exploration and production licence, but the Licensing Authority returned it 6 times for different reasons. Despite the efforts of the Company and its reply in due time to each of the comments, the licence was not awarded, and the 3-year period for conversion expired in October 2018. In 2019, Astrogaz filed a claim at the Administrative Court for the non-granting of the licence by the Licensing Authority. The Court of First Instance, in its decision of October 2020, partly satisfied the claim and confirmed inaction of the Licensing Authority and obliged it to review the application. Astrogaz filed a claim before the Court of Appeal proposing the licence award approval. In February 2021, the Court of Appeal rejected Astrogaz claim. In December 2021, the Supreme Court, similar to the Appeal

Court, rejected the claim of Astrogaz. This decision will not have any financial impact as Pirkovska licence had been totally impaired before.

In 2020, LLC AstroInvest-Energy, a fully owned subsidiary of Cadogan, introduced a claim against the State fiscal authority regarding additional tax assessment and related penalties. The Company won in the Court of First Instance and in the Court of Appeal. The State fiscal authority filed an appeal with the Supreme Court. The hearing and the decision were expected during 2022.

Subsidiary businesses

Cadogan has sold the remaining 7.54 million m3 of gas during the first semester 2021.

Astroservice LLC, the oil services subsidiary, continued to support Blazhiv licence wells' operations.

Italy

The Group owns a 90% interest in Exploenergy s.r.l., an Italian company, which has filed applications for two exploration licences (Reno Centese and Corzano), located in the Po Valley region (Northern Italy). The leads identified on these licences have combined unrisks prospective resources estimated to be in excess of 60 bcf of gas.

In February 2019, the Italian Parliament approved a moratorium of 18 months in the award of new licences and a 25-fold increase of licence fees. Exploenergy has subsequently reduced its activity to the minimum required to fulfil its statutory obligations. It has also identified areas which can be voluntarily released in order to mitigate the impact of higher fees, when licences are awarded, with a minimum impact on their exploration potential.

In 2020, the moratorium was extended. In February 2022, the Plan for the Sustainable Energy Transition of Suitable Areas ("PITESAI") was approved by the Ministry for Environmental Transition. It delivers a new framework for the possible resumption of exploration and production activities on land and at sea. Exploenergy is analysing the impact of this new regulation framework on its activities. No exploration and evaluation assets are held on the Group balance sheet in respect of the licences.

In February 2019, the Group entered in a 2-year loan agreement with Proger Management & Partners Srl ("PMP") with an option to convert it into a 33% equity interest in Proger Ingegneria Srl which in turn held at

31 December 2020 a 75.95% equity interest in Proger Spa. Proger is an Italian engineering company providing services in Italy and in different international areas.

Cadogan did not exercise the Call Option. In February 2021, Cadogan notified PMP that according to the Loan Agreement, the Maturity Date occurred on 25 February 2021. As the Call Option was not exercised, PMP must fulfill the payment of EUR 14,857,350, being the reimbursement of the Loan in terms of principal and the accumulated interest. PMP is in default since 25 February 2021. End of March 2021, PMP requested an arbitration to have the Loan Agreement recognised as an equity investment contract, which is rejected by Cadogan as the terms of the agreement are clear and include the right to repayment at maturity if the Call Option is not exercised.

The arbitration process is going on. The investigation phase is closed. The decision of the College of Arbitrators is expected in July 2022.



Strategic Report

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the “Act”) and presented hereunder. Its purpose is to inform stakeholders and help them assess how the Directors have performed their legal duty under Section 172 of the Act to promote the success of the Company.

Section 172 Statement

The Company's section 172 statement is presented on page 25 to 26 and forms part of this strategic report.

Principal activity and status of the Company

The Company is registered as a public limited company (registration number 05718406) in England and Wales. Its principal activity is oil and gas exploration, development and production; the Company also conducts gas trading and provides services.

The Company's shares have a standard listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange.

Key performance indicators

The Group monitors its performance through five key performance indicators (“KPIs”):

- > to increase oil, gas and condensate production measured on the number of barrels of oil equivalent produced per day (“boepd”);
- > to decrease administrative expenses;
- > to increase the Group's basic earnings per share;
- > to maintain no lost time incidents; and
- > to grow geographically and operationally diversify the portfolio.

The Group's performance in 2021 against these KPI's is set out in the table below, together with the prior year performance data.

	Unit	2021	2020	2021 vs 2020
Average production (working interest basis) ¹	boepd	350	291	20%
Overhead (G&A)	\$ million	3.7	3.8	(3%)
Basic loss per share ²	cents	(2.1)	(0.4)	425%
Lost time incidents ³	incidents	-	-	-
Geographic diversification	new assets	-	-	-

1. Average production is calculated as the average daily production during the year

2. Basic (loss)/profit per ordinary share is calculated by dividing the net (loss)/profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares during the year

3. Lost time incidents relate to the number of injuries where an employee/contractor is injured and has time off work (IOGP classification)

Chairman's Statement

Our Group is involved in Ukraine since 2007 and is considered as a real foreign investor in this country. The invasion of Ukraine by the Russian army has left us deeply saddened. This war, as any war, has brought huge suffering and destruction. All the Board stand in solidarity with the Ukrainian population.

The safety of our people is our highest priority. The Group is taking all possible actions to preserve the safety of its employees and meet their needs.

2021 remained another challenging year above any expectation. The pandemic Covid-19, that has been affecting all, was followed by economic and social instability worldwide and in Ukraine in particular. The measures that were quickly implemented have allowed to protect our staff and keep the Group's activities ongoing. The effectiveness of these measures and the dedication of everyone have been essential

to achieve this result. Moreover, the Group is proud to report zero fatalities, disabilities, or medical complications among its staff since the beginning of the pandemic.

In 2021, Cadogan continued to be committed to the territory and the communities where we operate and fully financed social programs commitment for 2021 as agreed before with the Lviv Regional Administration and the local communities.

In a highly challenging context, Cadogan has delivered on its strategy of a sustainable platform for growth. During 2021, the oil and gas markets volatility had favourable impact on oil prices. The quick response of the Group and the measures that were put in place have allowed the Group to mitigate the operational and the economic challenges. The negative impacts were contained, and improvements were brought to our activities despite the year loss.

With the ongoing war in the Country, we are expecting more uncertain times.

Despite all these challenges, the Group was able to improve its fundamentals and operate at high industry standards. This was possible thanks to the commitment of all with a competent and strong management. The Board remain focused on maximizing value from our assets and build a future for getting a profitable company with sustainable growth. Our objective remains the future diversification of our geographical presence and of our activities in sectors providing lower impacts on environment.

Michel Meeùs
Non-Independent Non-Executive
Chairman
28 April 2022

Chief Executive's Review

In 2021, the business worldwide and in Ukraine has managed to operate in the new Covid-19 volatile reality. However, the turbulence which resulted from the pandemic of corona virus has continued to affect Ukraine and Cadogan's activities. At the same time, during 2021 we witnessed recovery of the Brent oil price exceeding \$75 per bbl in December.

With the Covid-19 pandemic, it has been another challenging time for Ukraine as with other countries. The government has been repeatedly tightening restriction measures to get the virus spread under control and to mitigate Covid pandemic distribution in the country as well as to launch a vaccination plan for the population. Despite these measures, the level of fatalities caused by the virus was one of the highest in Europe.

To keep its personnel safe, the Company continued to implement strict sanitary and hygienic procedures and personal protection, constant medical supervision during the work shift, regular sanitation of cars, offices and facilities. We are proud to report zero fatalities among the staff.

While 2021 witnessed signs of recovery for the oil & gas industry, it has been another difficult year for Ukraine. The government of Ukraine continued making some progress towards the modernisation of its oil & gas legislative framework as well as in its anti-corruption measures. However, this has not yet been sufficient to create a favourable environment for the significant investments needed to increase the Country's domestic production especially in the time of instability all over the world. At the same time high oil and gas prices have allowed to smoothen the trend of Ukraine's production decline, mainly due to private operators' operational activity growth.

In 2021, Ukraine pursued efforts to attract new investments, including in its oil and gas sector, by promoting incentives such as “investment nanny's”, new areas under e-auctions and award of Production Share

Agreement (PSA). However, the already existing risks of military escalation with Russian Federation and the invasion threats have been a real stopping factor for foreign investments in the oil and gas industry of Ukraine. In this uncertain context, Cadogan remained one of the few truly foreign investors operating in Ukraine's E&P sector.

Against this challenging background, Cadogan's operational activities performed as following:

- > a 20% increase in production, from 106,398 bbl in 2020 to 127,662 bbl in 2021. This allowed the Group to record in 2021 its highest net production rate of 350 bbl per day, a 3 % decrease of overhead (G&A), from \$3.8 million in 2020 to \$3.7 million in 2021;
- > a challenging year for trading which generated a positive result;
- > a robust balance sheet, with \$15 million of net cash, kept mostly in the UK banks;
- > another year without LTIs'.

Core operations

Cadogan has continued to safely produce from its Blazhiv field in the West of Ukraine. Oil production has increased by 20% over the previous year. The uninterrupted production of four wells during 2021, and the optimization of the mechanical production regimes with the stimulation of Blazh-10 well, have allowed to achieve such positive results.

Regarding the Bitlyanska 20-year exploration and development licence, given the delay to award the licence by the State Geological Service (SGS) beyond the regular timeline provided by legislation and the further rejection of the application on the basis of the new regulatory framework that took effect on 25 February 2020, Cadogan filed two claims with the Administrative Court to acknowledge inaction of SGS as unlawful and to grant the right to carry out commercial activities on the Bitlyanska field. In February 2022 the Company received information

from a public register that the claim was rejected by the Court. Usenco Nadra has not yet been formally notified by the Administrative Court of this decision. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal against this decision.

In the Pirkovska licence notwithstanding, the Court of First Instance hearing results and partial satisfaction of LLC Astrogaz claim, the Supreme Court, similar to the Appeal Court, rejected the claim of Astrogaz in December 2021. This decision will not have a financial impact as Pirkovska licence had been totally impaired before.

Operational excellence of the Group has been confirmed again by zero LTI or TRI, with a total over 1,400,000 man-hours since the last incident, and the renewal of ISO 14001 & 45001 certifications for a new 3-year term.

The activity in Italy has been limited to routine housekeeping.

Non E&P operations

Cadogan sold 7,56 million m3 of gas stored. The Company continues to monitor the gas markets in Europe and Ukraine, but in light of the extreme volatilities the Company follows its prudent and low risk trading strategy.

The oil services activities were used primarily to serve the Group's wells' operations.

Proger

In February 2019, Cadogan used part of its cash (euros 13.385 million) to enter into a 2-year Loan Agreement with Proger Managers & Partners, together with a Call Option Agreement to convert it, subject to shareholders' approval into a 33 % equity interest in Proger Ingegneria which in turn held, as at 31 December 2021, a 96.48% equity interest in Proger.

Strategic Report continued

As at 25 February 2021, being the Maturity Date, the Call Option was not exercised and accordingly to its previous notification Cadogan demanded repayment of the Loan together with the accumulated interest which in total amounted Euro 14,857,350. After five business days, PMP was in default and asked for an additional term that ended on 19 March 2021. The terms of the Loan Agreement provide for an additional default interest of 2%. At this time, the Group reclassified the loan instrument from fair value through profit and loss to a loan at amortised cost. End of March 2021, PMP contested the default situation and the obligation to reimburse and asked for an Arbitration, according to the said Loan Agreement, to get the Loan Agreement recognised as an equity investment contract. Cadogan consider PMP's arguments as groundless and consider that they are intended to delay PMP reimbursement obligations. The Arbitration process is ongoing. The investigation phase is closed. The decision of the College of Arbitrators is expected in July 2022.

Outlook

After several months of military confrontation, Russia invaded Ukraine on 24 February 2022. The safety of our employees is our highest priority. We are in daily close contact with them and doing all we can to ensure their safety and their essential needs.

The war is increasingly affecting the economy of Europe and exacerbating ongoing economic challenges, including issues such as rising inflation and supply-chain disruption. The degree to which the Group will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action and reactions to ongoing developments by global financial markets. At the beginning of March 2022, the Company stopped its production operations for 3 weeks and was able to resume them after having secured its employees safety, the transactions with its customers and deliveries. Starting the end of March 2022 and till the date of the report the Group is operating in due course, production operates with a full capacity, product shipments are not interrupted.

Despite all the difficulties and uncertain times, the Group has managed to successfully preserve its human, operational and financial assets. Thanks to its flexibility, the Group has been able to manage the fluctuations in commodity prices and is prepared to manage such ongoing situation. However, the delays, due to the pandemic Covid-19 and the arbitration process with PMP for the recoverability of the loan provided in 2019, have led to postpone the original plans for the business development and the diversification of our activities. The Group maintains its objectives

to invest in new activities with a lower impact on environment, to continue to monitor and contain the environmental impact of its existing oil and gas activities, and to diversify geographically its presence. In the current circumstances of the war in Ukraine, its unpredictable duration and the related uncertainties impacting the general economy, our Group will continue to maintain a prudent business development approach taking into account our available resources and the economic momentum of the targeted business areas.

Fady Khalouf
Chief Executive Officer
28 April 2022

Operations Review

Overview

At 31 December 2021, in the west of Ukraine, the Group held working interests in one conventional gas, condensate and oil exploration and production licence and was expecting the Court decision for the award of the new licence for another one. These assets are operated by the Group and are located in the Carpathian basin in close proximity to the Ukrainian gas distribution infrastructures

Summary of the Group's licences (as at 31 December 2021)

Working interest (%)	Licence	Expiry	Licence type ¹
99.8	Blazhiv	November 2039	Production
99.8	Bitlyanska ²	December 2019	E&D

East Ukraine

The Pirkivska production licence expired in 2015. Astrogaz applied for a new licence. After several years and the end of the 3-year period allowed for conversion of the previous licence, the Company initiated court proceedings to defend its rights and to challenge the Licensing Authority's actions. As the result, the Court of First Instance has partly satisfied the claim and confirmed inaction of the Licensing Authority and obliged it to review the application. Astrogaz introduced a claim with the Court of Appeal proposing licence award approval. In its decision of February 2021, the Court of Appeal rejected the Astrogaz claim. In March 2021, the Company filed an appeal with the Supreme Court. The Supreme Court rejected the claim of Astrogaz in December 2021.

West Ukraine

E&P activity remained focused on maintaining and securing its licences for the new term and safely and efficiently producing from the existing wells as well as implementing non-invasive production enhancement scenarios within the Blazhiv oil field.

The Bitlyanska licence covers an area of 390 square kilometers. Bitlyanska, Borynya and Vovchenska are three hydrocarbon discoveries in this licence area. The Borynya and Bitlya fields hold 3P reserves, contingent recoverable resources and prospective resources. Vovchenska field holds contingent recoverable resources.

Borynya 3 and Vovche-2 wells are suspended and routinely monitored. All activities in the area are temporarily on hold until the licence award is granted. However, the State Geological Service failed to meet the timeline for responding to the application provided for under legislation and, subsequently rejected the application.

The Group filed to the State Geological Service an application for a 20-year production licence 5 months ahead the licence expiry date of 23 December 2019. The Group secured approval of the Environmental Impact Assessment study by the Ministry of Ecology, the approval of the Reserves Report by the State Commission of Reserves and the approval of the licence award by the Lviv Regional Council. Given the delay to award the new licence beyond the regular timeline provided by legislation, Cadogan filed two claims with the Administrative Court to challenge the non-granting of the 20-year production licence by the Licensing Authority. During 2021 the claims have not been considered by the Court due to delays caused by the Covid-19 pandemic. In February 2022 the company received information from public register that its claim was rejected by the Court of first instance. Usenco Nadra has not yet been notified. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal.

During 2021, the average gross oil production rated at 350bpd, which is 20% higher than in 2020 (291bpd). Such result was achieved thanks to an uninterrupted production of the four Blazhiv wells supported by optimization of their operational regimes.

In 2021 the Company conducted and completed full hydrodynamic surveys of Blazhiv-1, Blazh-3, Blazhiv-Monastyrets-3 and Blazhiv-10 wells.

For the purpose of geological construction precision of Blazhiv oil field and Monastyretska fold and also identification of new perspective structures within the licence area boundary, Cadogan has launched analyses for data reprocessing and reinterpretation of old 2D seismic data. Upon works completion, it is expected to receive required data for field skeleton structural and tectonic modeling. The structural tectonic and petrophysical modeling of the area, hydrocarbons reserves & resources reassessment as well as the hydrodynamic model refining is planned to be conducted after the completion of the seismic reprocessing/reinterpretation.

¹ E&D = Exploration and Development

² The Bitlyanska licence expired on 23 December 2019 and its renewal is in the process of litigation. Usenco filed a claim at the Court of Appeal.

Strategic Report continued

Gas trading

Cadogan thoroughly monitored EU and Ukraine gas markets evolution to define best momentum for trading in the challenging environment of 2021. In 2021, the Company sold 7.56 million m³ at favourable conditions. The Company has no gas in storage at the year ended 31 December 2021. In light of these extreme volatilities, the Company, following its prudent and low risk trading strategy, decided to monitor the appropriate time for resuming trading activity.

Service

The Group continued to provide services through its wholly owned subsidiary Astroservice LLC. The provided services were primarily focused on serving intra-group operational needs in wells' re-entry/repairs and stimulation operations, well surveys and field on-site activities.

Other events

After an inspection conducted by Ukraine's tax authorities in September 2019, Astroinvest Energy LLC was notified of a tax claim related to the historic costs for the liquidation of wells on the Zagoryanska licence. The tax authorities notified Astroinvest Energy LLC that they consider recoverable VAT totalling \$3.6 million, that has subsequently been used to offset output VAT, to be non-deductible. They additionally consider that the subsidiary's tax losses carry forward of \$15.3 million should be reduced (note 21). Astroinvest Energy LLC has launched a claim against the tax authority's decision based on the current tax legislation and related court decisions. The Company has won litigation in the Court of First Instance and in the Court of Appeal. The Court's decision has come into legal force. The tax authorities filed an appeal with the Supreme Court, the decision of which is expected during 2022.

In October 2021 Cadogan has reached an agreement with Actio Law Firm (registered in Ukraine) for the sale of Ramet Holdings Limited, a wholly owned Cypriot subsidiary. This transaction has allowed to minimise related administrative costs and to optimise corporate structure.

Financial Review

Overview

In 2021, the Group increased its production by 20%, and the average realised oil price increased by 69%. As a result, E&E revenue increased significantly compared to the previous year. The Group's operating divisions delivered a profit of \$1.8 million (2020: profit of \$0.5 million) (note 5) before the impairment of oil and gas assets which is recognised due to the longer dispute process on Bitlyanska licence award.

The E&P business positively contributed to the financial results of the Group, due to the increase in oil prices and the increase of production volume. The average realised oil price increased by 69% from \$32.9 to \$55.7 per barrel. The services business focused on providing workover services to the subsidiaries of the Group. The trading business realised all stored gas in the first half and made a positive contribution to the Group's performance.

Cash position increased to \$15.0 million as at 31 December 2021 compared to \$13.3 million as at 31 December 2020. This was mostly due to the sales of 7.56 mcm of natural gas which were held in inventory at the beginning of the year and the positive result of the E&P segment of business.

Income statement

Revenues from production increased from \$3.5 million in 2020 to \$7.0 million in 2021, reflecting a combination of an increase of the production volume from 106,398 boe in 2020 to 127,662 boe in 2021 supported by an increase in average realised prices by 69%. E&P costs of sales increased from \$3.0 million in 2020 to \$5.3 million in 2021. These include production royalties and taxes, fees paid for the rented wells, depreciations, depletion of producing wells, direct staff costs and other costs for exploration and development. Overall, in 2021, E&P made a positive contribution of \$1.8 million (2020: \$0.4 million) to gross profit.

The oil services business in 2021 remained focused on internal activities providing its services, including drilling and workover, to the Group's subsidiaries.

The gas trading business revenues slightly increased from \$1.6 million in 2020 to \$1.8 million in 2021, cost of sales decreased, from \$1.4 million in 2020 to \$1.1 million in 2021, resulting in an overall gross margin of \$0.7 million (2020: \$0.2 million).

Administrative expenses ("G&A") remained contained with a slight decrease in 2021, note 7.

Impairment of oil and gas assets totalled \$2.5 million representing the recognition of impairment of the Bitlyanska licence. Impairment of other assets includes impairment of other inventories of \$1.0 million (2020: nil).

The Group recognised interest on the Proger loan of \$1.2 million. Refer to note 26 for details.

Net finance income of \$25 thousand (2020: \$40 thousand) reflects interest income on cash deposits used for trading of \$68 thousand (2020: \$25 thousand); ii) investment revenue of \$8 thousand (2020: \$37 thousand); less iii) Unwinding of discount on decommissioning provision of \$23 thousand (2020: \$22 thousand); iv) \$28 thousand of finance expenses recognised on lease (2020: nil).

Balance sheet

Intangible Exploration and Evaluation ("E&E") assets have been impaired to \$nil (2020: \$2.4 million) due to the legal dispute on the Bitlyanska licence award and the uncertainty on the legal timeframe due to the ongoing war. The Property Plant & Equipment (PP&E) balance was \$9.6 million at 31 December 2021 (2020: \$9.9 million). It primarily represents the carrying value of the assets invested and engaged in Blazhiv licence. The E&E and PP&E are held by Ukrainian subsidiaries with functional currency Ukrainian Hryvna. Ukrainian Hryvna improved its value as at 31 December 2021 compared to 31 December 2020 generating a movement in the E&E and PP&E value presented in the US Dollar.

Trade and other receivables of \$0.3 million (2020: \$1.6 million) include \$0.1 million of recoverable VAT (2020: \$1.5 million), which is expected to be recovered through production activities, and \$0.2 million (2020: \$0.1 million) of other receivables.

Inventories reduced from \$2.2 million to \$0.2 million principally due to the sale of gas volumes held in storage at 31 December 2020 and additional provision recognised on other inventories.

The Proger loan was held at amortised cost at \$16.7 million (2020: \$16.8 million). The loan has been reclassified as current based on the maturity in 2021 and anticipated receipt. Refer to the Chief Executives Report for further details together with note 4(d) and 26.

The \$1.5 million of trade and other payables as of 31 December 2021 (2020: \$1.4 million) consist of \$0.6 million (2020: \$0.5 million) of accrued expenses and \$0.9 million (2020: \$0.9 million) of other creditors.

Provisions include \$0.3 million (2020: \$0.2 million) of long-term provision for decommissioning costs which represents the present value of costs that are expected to be incurred in 2039 for producing assets, when the licences will expire.

Net cash increased to \$15.0 million at 31 December 2021 compared to \$13.3 million at 31 December 2020. This was mostly due to the sale of 7.6 mcm of natural gas which has been at stock at the beginning of the year and supported by production result for the year 2021.

Cash flow statement

The Consolidated Cash Flow Statement on page 59 shows operating cash outflow before movements in working capital of \$0.4 million (2020: outflow of \$2.5 million), which represents mostly cash used by the E&P and Trading business segment net of corporate expenses.

Positive operating cash flow from movements in working capital is represented mostly by movements in inventory and VAT recoverable positions due to the sales of natural gas and oil during 2021.

Cash outflow from investing activities represents investments in Blazhiv field during the year 2021.

Related party transactions

Related party transactions are set out in note 28 to the Consolidated Financial Statements.

Treasury

The Group continually monitors its exposure to currency risk. It maintains a portfolio of cash mainly in US dollars ("USD") and Euro held primarily in the UK. Production revenues from the sale of hydrocarbons are received in the local currency in Ukraine, however, the hydrocarbon prices are linked to the USD denominated gas and oil prices.

Strategic Report continued

Risks and Uncertainties

There are several potential risks and uncertainties that could have a material impact on the Group's long-term performance and could cause the results to differ materially from expected and historical results. Executive management review the potential risks and then classify them as having a high impact, above \$5 million, medium impact, above

\$1 million but below \$5 million, and low impact, below \$1 million. They also assess the likelihood of these risks occurring. Risk mitigation factors are reviewed and documented based on the level and likelihood of occurrence. The Audit Committee reviews the risk register and monitors the implementation of risk mitigation procedures via Executive

management, who are carrying out a robust assessment of the principal risks facing the Group, including those potentially threatening its business model, future performance, solvency and liquidity.

The Group has analysed the following categories as key risks:

War risks

Risk	Mitigation
Since Spring 2021, Russia has gradually increased the concentration of military equipment, weapons and troops near the Ukrainian borders. On 24 February 2022, the Russian troops attacked Ukraine and invaded its territory. Severe fights have been engaged in Kyiv, and several other main cities like Kharkiv, Mariupol, Kherson and Chernihiv.	Anticipating the beginning of the war, the Group put in place, since the beginning of February 2022, emergency procedures communicated to all employees on the different sites in Ukraine with an Emergency Committee communicating every day. Safety measures have been dispatched with a remote working organisation. Specific measures have been put in place for the operations on site. In case of need, specific measures were put in place to suspend the operations of the Blazhiv field wells, with technical measures for decommissioning and temporary conservation of the wells. The transmission and internet connection systems have been secured with a satellite connection. IT security has been reinforced. Since February 2022, the salaries are paid in anticipation to mitigate the risk of a shutdown of the banking system. The Group is monitoring the situation daily and taking appropriate action to ensure the safety and the essential needs of its employees.
Missile attacks and bombing are used by the Russian troops to destroy infrastructures and facilities even in the western cities, like Lviv. Cyber-attacks have increased. Given the unpredictability of the issue of this war, a full-scale invasion of Ukraine or a much longer duration of this war could have material impacts on the Group's operations and on its human, industrial and financial resources.	

Operational risks

Risk	Mitigation
Health, Safety and Environment ("HSE") The oil and gas industry by its nature conducts activities, which can cause health, safety and environmental incidents. Serious incidents can have not only a financial impact but can also damage the Group's reputation and the opportunity to undertake further projects.	The Group maintains a HSE management system in place and demands that management, staff and contractors adhere to it. The system ensures that the Group meets Ukrainian legislative standards and for the CO2 emissions the British standards and achieves international standards to the maximum extent possible. Management systems and processes have been certified as ISO 14001 and ISO 45001 compliant.
Covid-19 The Group's operations are in Ukraine with a Parent Company located in the United Kingdom. These locations are suffering from increasing levels of Covid-19 infection and in due course there may be increasing disruption. This may include potential impacts through illness amongst our workforce, supply chain and sales channel disruption and the wider impact of economic disruption on commodity prices. The national and local governments in each of our operating locations are recommending or implementing increasingly severe restrictions in order to manage the situation.	To manage and where possible mitigate the risk of personnel infection with the virus for our employees, special measures have been applied. These include administrative personnel remote working, strict sanitary and hygienic procedures and personal protection, rotation of field personnel by company cars, constant medical supervision during the work shift, regular sanitation of cars, offices and facilities. The Covid-19 treatment package has been included into the staff medical insurance coverage. We continue to monitor the situation closely and will respond accordingly as the position develops. To prevent the spread of Covid-19, the Group continued to strictly maintain administrative and healthcare measures, to provide safe working conditions for its employees as well as ensuring reasonable vaccination level.

Climate change After the Paris Agreement (COP 21) the international community is committed to reduce greenhouse gas emissions to slow down the climate change and contain its effects. Countries may impose moratorium on E&P activities or enact tight limits to emissions level, which may curtail production. Shareholders may also request that the Company adopt stringent targets in terms of emissions reduction.	A moratorium on domestic production is deemed highly unlikely in Ukraine given the country's need for affordable energy. Such risks exist in Italy, but the Group's exposure there is limited. Management strives to reduce emissions in everything the Group does and has started implementing alternatives to offset and/or mitigate emissions. In 2021, the Group will review its administrative and operational process to identify the areas of further improvement in the limitation of its environmental impact. For the future, Cadogan is going to diversify its activities by investing in new activities with a lower impact on environment.
Drilling and Work-Over operations The technical difficulty of drilling or re-entering wells in the Group's locations and equipment limitations can result in the unsuccessful completion of the well.	The incorporation of detailed sub-surface analysis into a robustly engineered well design and work programme, with appropriate procurement procedures and competent on-site management, aims to minimise risk. Only certified personnel are hired to operate on the rig floor. Contractor's access to the operational sites is allowed only after control of staff qualification and check-up of appropriate technical condition of the equipment and machinery.
Production and maintenance There is a risk that production or transportation facilities could fail due to non-adequate maintenance, control or poor performance of the Group's suppliers.	All plants are operated and maintained at standards above the Ukrainian minimum legal requirements. Operative staff are experienced and receive supplemental training to ensure that facilities are properly operated and maintained. When not in use the facilities are properly kept under conservation and routinely monitored. Service providers are rigorously reviewed at the tender stage and are monitored during the contract period.
Sub-surface risks	
Risk	Mitigation
The success of the business relies on accurate and detailed analysis of the sub-surface. This can be impacted by poor quality data, either historic or recently gathered, and limited coverage. Certain information provided by external sources may not be accurate.	All externally provided and historic data is rigorously examined and discarded when appropriate. New data acquisition is considered, and appropriate programmes implemented, but historic data can be reviewed and reprocessed to improve the overall knowledge base. Agreements with qualified local and international contractors have been entered into to supplement and broaden the pool of expertise available to the Company.
Data can be misinterpreted leading to the construction of inaccurate models and subsequent plans.	All analytical outcomes are challenged internally and peer reviewed. Analysis is performed using modern geological software.
The area available for drilling operations is limited due to logistics, infrastructures and moratorium. This increases the risk for setting optimum well coordinates.	Bottom hole locations are always checked for their operational feasibility, well trajectory, rig type, and verified on updated sub-surface models. They are rejected if deemed to be too risky.
The Group may not be successful in proving commercial production from its Bitlyanska licence and consequently the carrying values of the Group's oil and gas assets may have to be impaired.	The Group performs, on an annual basis, a review of its oil and gas assets, impairs if necessary, and considers whether to commission a review from a third party or a Competent Person's Report ("CPR") from an independent qualified contractor depending on the circumstances.

Strategic Report continued

Financial risks

Risk	Mitigation
The Group is at risk from changes in the economic environment both in Ukraine and globally, which can cause foreign exchange movements, changes in the rate of inflation and interest rates and lead to credit risk in relation to the Group's key counterparties.	<p>Revenues in Ukraine are received in UAH and expenditure is made in UAH, however the prices for hydrocarbons are implicitly linked to USD prices.</p> <p>The Group continues to hold most of its cash reserves in the UK mostly in USD and Euro. Cash reserves are placed with leading financial institutions, which are approved by the Audit Committee. Foreign exchange risk is considered a normal and acceptable business exposure and the Group does not hedge against this risk for its E&P operations.</p> <p>For trading operations, the Group matches the revenues and the source of financing.</p>
In February 2019, Cadogan entered into a 2-year Loan Agreement (Euros 13.385 million) with Proger Management & Partners with a Call Option to convert it into a 33 % equity interest in Proger Ingegneria which represented a key transaction and element of the Group balance sheet. At 25 February 2021, being the Maturity Date, Cadogan did not exercise its Call Option and PMP must reimburse EUR 14,857,350. End of March 2021, PMP did not reimburse and asked for an arbitration to get the Loan Agreement recognised as an equity investment contract.	<p>The terms of the agreement are clear and include the right to repayment at maturity if the Call Option is not exercised. As security for the reimbursement of the loan, Cadogan benefits from a pledge over the shares held by Proger Managers & Partners in Proger Ingegneria. In addition to that, Cadogan is engaging all the necessary actions in the Arbitration process and more generally the adequate legal actions to protect the interests of the Company and all of its stakeholders. The investigation is closed. The decision of the College of Arbitrators is expected in July 2022.</p> <p>Refer to note 26 to the Consolidated Financial Statements for detail on financial risks.</p>
The Group is at risk that counterparties will default on their contractual obligations resulting in a financial loss to the Group.	<p>Procedures are in place to scrutinise new counterparties via a Know Your Customer ("KYC") process, which covers their solvency. In addition, when trading gas, the Group seeks to reduce the risk of customer non-performance by limiting the title transfer to product until the payment is received, prepaying only to known credible suppliers.</p>
The Group is at risk that fluctuations in gas prices will have a negative result for the trading operations resulting in a financial loss to the Group.	<p>The Group mostly enters back-to-back transactions where the price is known at the time of committing to purchase and sell the product. Sometimes the Group takes exposure to open inventory positions when justified by the market conditions in Ukraine, which is supported by analysis of the specific transactions, market trends and models of the gas prices and foreign exchange rate trends.</p>

Country risks

Risk	Mitigation
Legislative changes may bring unexpected risk and create delays in securing licences or ultimately prevent licences and licence renewals / conversions from being secured.	<p>Compliance procedures, monitoring and appropriate dialogue with the relevant authorities are maintained to minimise the risk. In all cases, deployment of capital in Ukraine is limited and investments are kept at the level required to fulfil licence obligations.</p>

Other risks

Risk	Mitigation
The Group's success depends upon skilled management as well as technical and administrative staff. The loss of service of critical members from the Group's team could have an adverse effect on the business.	<p>The Group periodically reviews the compensation and contract terms of its staff in order to remain a competitive employer in the markets where it operates.</p>
The Group is at risk of underestimating the risk and complexity associated with the entry into new countries.	<p>The Group applies rigorous screening criteria in order to evaluate potential investment opportunities. It also seeks input from independent and qualified experts when deemed necessary. Additionally, the required rate of return is adjusted to the perceived level of risk.</p>
Local communities and stakeholders may cause delays to the project execution and postpone activities.	<p>The Group maintains a transparent and open dialogue with authorities and stakeholders (i) to identify their needs and propose solutions which address them as well as (ii) to illustrate the activities which it intends to conduct and the measures to mitigate their impact. Local needs and protection of the environment are always taken into consideration when designing mitigation measures, which may go beyond the legislative minimum requirement.</p> <p>The Group devotes the highest level of attention and engage qualified consultants to prepare the Environmental Impact Assessment studies and to attend public hearings, both introduced in Ukraine in the course of 2019.</p>

Statement of Reserves and Resources

In 2021, the company conducted routine rig-less production support activities at the Blazhiv-1, Blazhiv-3 and Blazhiv-Monastyrets-3 and Blazhiv-10 wells to maintain sustainable production using sucker rod pumping systems.

Summary of Reserves ¹ at 31 December 2021	Mmboe
Proved, Probable and Possible Reserves at 1 January 2021	7.38
Production	0.12
Bitlyanska Licence ²	3.20
Proved, Probable and Possible Reserves at 31 December 2021	4.06

In addition to the tabled reserves, Cadogan has 0.6 million boe of contingent resources associated with the Blazhiv licence.

¹ The study was conducted in 2016 by Brend Vik.

² The Bitlyanska licence expired on 23 December 2019 and its renewal is in the process of litigation

Strategic Report continued

Corporate Responsibility

Under Section 414C of the Companies Act 2006 (the “Act”), the Board is required to disclose information about environmental matters, employees, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies.

Being sustainable in our activities means conducting our business with respect for the environment and for the communities hosting us, with the aim of increasing the benefit and value to our stakeholders. We recognise that this is a key element to be competitive and to maintain our licence to operate.

The Board recognises that the protection of the health and safety of its employees, the communities and the environment in which it operates is not just an obligation but is part of the personal ethics and beliefs of management and staff. These are the key drivers for a sustainable development of the Company's activity. Cadogan Petroleum, its management and employees are committed to continuously improve Health, Safety and Environment (HSE) performance; follow our Code of Ethics and apply, in conducting our operations, internationally recognised best practices and standards.

Our activities are carried out in accordance with a policy manual, endorsed by the Board, which has been disseminated to all staff. The manual includes a Working with Integrity policy and policies on business conduct and ethics, anti-bribery, the acceptance of gifts and hospitality and whistleblowing. Such policies are subject to regular review.

In August 2018, Cadogan Ukraine LLC obtained ISO 14001 and ISO 45001 certifications for the following scope: “Supervision, coordination, management support, control in the field of oil and gas on-shore exploration and production.” This provides formal recognition of the process embedded in the Company and demonstrates the commitment and efforts delivered by our employees and management. It is considered a baseline to continue with the efforts to improve the way we conduct the business.

The Board believes that health and safety procedures and training across the Group should be in line with best practice in the oil and gas sector. Accordingly, it has set up a committee to review and agree on the health and safety initiatives for the Company and to report back to the Board on the progress of these initiatives. Management regularly reports to the Board on HSE and key safety and environmental issues, which are discussed at the Executive Management level. The report of the Health, Safety and Environment Committee can be found on page 29 to 30.

The General Director of Cadogan Ukraine is the acting Chairman of the HSE Committee and is supported in his role by Cadogan Ukraine's HSE Manager. In accordance with the ISO 14001 and ISO 45001, his role is to ensure that the Group continuously develops suitable procedures, that operational management and their teams incorporate them into daily operations and that the HSE management has the necessary level of autonomy and authority to discharge their duties effectively and efficiently.

Health, safety and environment 2021 was still challenging with Covid-19 pandemic. Cadogan applied special measures to mitigate the risk of personnel infection with the virus. All personnel have been instructed on the situation, remote access to the working environment has been settled for all office personnel to restrict contacts to minimum, field personnel are provided with transfer to the oil field, all personnel are provided with respirators and antiseptics, temperature control is performed before the start of each working day for all personnel who does not work remotely. Besides, the Company is putting maximum efforts to ensure reasonable vaccination level of the staff.

The HSE management monitors health status of the personnel daily. Up to now, 15 employees of the company have been infected by Covid-19 during 2021. All of them have fully recovered.

The Group has implemented an integrated HSE management system in accordance with the ISO requirements. The system aims to ensure that a safe and environmentally friendly/protection culture is embedded in the organisation with a focus on the local community involvement. The HSE management system ensures that both Ukrainian and international standards are met, with the Ukrainian HSE legislation requirements taken as an absolute minimum. All the Group's local operating companies actively participate in the process. ISO 14001 and ISO 45001 certification were re-validated by the respective authority in July 2020.

A proactive approach based on a detailed induction process and near miss reporting has been in place throughout 2021 to prevent incidents. Staff training on HSE matters and discussions on near miss reporting are recognised as the key factors to continuously improve. In-house training is provided to help staff meet international standards and follow best practice. The process enacted by the certification, enhances attention to training on risk assessments, emergency response, incident prevention, reporting and investigation, as well as emergency drills regularly run-on operations' sites and offices. This process is essential to ensure that international best practices and standards are maintained to comply with, or exceed, those required by Ukrainian legislation, and to promote continuous improvement.

The Board monitors the main Key Performance Indicators (lost time incidents, mileage driven, training received, CO2 emissions) as business parameters. The Board has benchmarked safety performance against the HSE performance index measured and published annually by the International Association of Oil and Gas Producers. In 2021, the Group recorded over 155,000 man-hours worked with no incidents and over 1,400,000 hours have been worked since the last injury in February 2016.

During 2021 the Group continued to monitor its greenhouse gas emissions and collect statistical data relating to the consumption of electricity, industrial water and fuel consumption by cars, plants and other work sites, recording a continuous improvement in the efficient use of resources.

Employees

Wellness and professional development are part of the Company's sustainable development policy and wherever possible, local staff are recruited. The Group's activity in Ukraine is entirely managed by local staff. Qualified local contractors are engaged to supplement the required expertise when and to the extent it is necessary.

Procedures are in place to ensure that recruitment is undertaken on an open, transparent and fair basis with no discrimination against applicants. Each operating company has its own Human Resources function to ensure that the Group's employment policies are properly implemented and followed. The Group's Human Resources policy covers key areas such as equal opportunities, wages, overtime and non-discrimination. As required by Ukrainian legislation, Collective Agreements are in place with the Group's Ukrainian subsidiary companies, which outline agreed level of staff benefits and other safeguards for employees.

All staff are aware of the Group's grievance procedures. All employees have access to health insurance provided by the Group to ensure that all employees have access to adequate medical facilities.

Each employee's training needs are assessed on an individual basis to ensure that their skills are adequate to support the Group's operations, and to help them to develop.

Diversity

The Board recognises the benefits and importance of diversity (gender, ethnic, age, sex, disability, educational and professional backgrounds, etc.) and strives to apply diversity values across the business. We endeavour to employ a skilled workforce that reflects the demographic of the jurisdictions in which we operate. The board will review the existing policies and intends to develop a diversity policy.

Gender diversity

The Board of Directors of the Company comprised of five Directors as of 31 December 2021. The appointment of any new Director is made based on merit. See page 16 for more information on the composition of the Board.

As at 31 December 2021, the Company comprised a total of 78 persons, as follows:

	Male	Female
Non-Executive Directors	3	1
Executive Directors	1	-
Management, other than Executive Directors	7	2
Other employees	44	20
Total	55	23

Human rights

Cadogan's commitment to the fundamental principles of human rights is embedded in our HSE policies and throughout our business processes. We promote the core principles of human rights pronounced in the UN Universal Declaration of Human Rights and our support for these principles is embedded throughout our Code of Conduct, our employment practices and our relationships with suppliers and partners wherever we do business.

Community

The Group's activities are carried out in rural areas of Ukraine and the Board is aware of its responsibilities to the local communities in which it operates and from which some of the employees are recruited. In our operational sites, management work with the local councils to ensure that the impact of operations is as low as practicable by putting in place measures to mitigate their effect. Projects undertaken include improvement of the road infrastructure in the area, which provides easier access to the operational sites while at the same time minimizing inconvenience for the local population and allowing improved road communications in the local communities, especially during winter season or harsh weather conditions. Specific community activities are undertaken for the direct benefit of local communities. All activities are followed and supervised by managers who are given specific responsibility for such tasks.

The Group's companies in the Ukraine see themselves as part of the community and are involved and offer practical help and support. All these activities are run in accordance with our “Working with Integrity” policy and procedures. The recruitment of local staff generates additional income for areas that otherwise are predominantly dependent on the agricultural sector.

The enactment in 2018 of new legislation which introduces Environmental Impact Assessment studies and public hearings as part of the licence's award/renewal processes was anticipated effectively by the Group. The Group is complying with these requirements, building on the recognised competence of its people and advisors as well as on the good communication and relations established with local communities.

Cadogan is committed to the territory and the communities where it operates and has fully financed social programs commitment for 2021 as per signed Memorandum between the Company, Lviv Regional Administration and local communities in 2019.

In 2020, the Group's operating locations were suffering from levels of Covid-19 infection and normal working patterns have been disrupted. The national and local governments in all regions are recommending and implementing restrictions to manage the situation. The Group is following all the recommendations and provides comprehensive measures inside the Group to restrict Covid-19 infection and spread.

As part of its commitment to the local communities in which it operates, the Group provided sanitary material to local medical institution to sustain the efforts to contain the Covid-19 pandemic on the territory.

Approval

The Strategic Report was approved by the Board of Directors on 28 April 2022 and signed by order of the Board by:

Ben Harber
Company Secretary
28 April 2022

Board of Directors

Current directors

Michel Meeùs, 69, Belgian Non-Independent Non-Executive Chairman

Mr Meeùs was appointed as a Non-Executive Director on 23 June 2014. Mr Meeùs was former Chairman of the Board of Directors of Theolia, an independent international developer and operator of wind energy projects. Since 2007, he has been a Director within the Alcogroup SA Company (which gathers the ethanol production units of the Group), as well as within some of its subsidiaries. Before joining Alcogroup, Mr Meeùs carved out a career in the financial sector, at Chase Manhattan Bank in Brussels and London, then at Security Pacific Bank in London, then finally at Electra Kingsway Private Equity in London.

Mr Meeùs is currently Chairman of the Remuneration and Nomination Committees.

Jacques Mahaux, 70, Belgian Independent Non-Executive Director

Jacques Mahaux was appointed as Director on 15 November 2019. He is currently the partner and manager of EKHMA sarl and its permanent representative in the Boards of Directors of OREA CAPITAL SA and AUREUS ARS ET SCIENTIA asbl. He has held various executive and directorship positions in Group Crédit Agricole in Luxembourg, CA Indosuez, Indosuez Bank and various Luxembourg and Swiss Holding companies active in industrial sectors. Previously he acted as an Attorney at Law at the Brussels Bar. He is a former Supervisory Board member and President of the Audit Committee of ETAM SCA.

Mr Mahaux is currently a member of the Audit, Remuneration and Nomination Committees.

Fady Khallouf, 61, French Chief Executive Officer

Fady Khallouf was appointed as Director and CEO on 15 November 2019. He has a 35-year experience in the energy, the environment, the engineering and the infrastructure sectors. He has previously held the position of CEO and CFO of FUTUREN (Renewable Energy, listed on Euronext Paris) where he achieved the restructuring and the turnaround of the group. Prior to that, he was the CEO of Tecnimont group (Petrochemicals and Oil & Gas), the Vice-President Strategy and Development of EDISON group (Electricity and Gas, E&P), the Head of M&A of EDF group (Energy). Fady Khallouf had beforehand held various management positions at ENGIE (Energy), Suez (Environmental Services), and DUMEZ (Construction and Infrastructures).

Gilbert Lehmann, 76, French Senior Independent Non-Executive Director

Mr Lehmann was appointed to the Board on 18 November 2011. He was an adviser to the Executive Board of Areva, the French nuclear energy business, having previously been its Deputy Chief Executive Officer responsible for finance. He is also a former Chief Financial Officer and deputy CEO of Framatone, the predecessor to Areva, and was CFO of Sogee, part of the Rothschild Group. Mr Lehmann was also Deputy Chairman and Chairman of the Audit Committee of Eramet, the French minerals and alloy business. He is Deputy Chairman and Audit Committee Chairman of Assystem SA, the French engineering and innovation consultancy. He was Chairman of ST Microelectronics NV, one of the world's largest semiconductor companies, from 2007 to 2009, and stepped down as Vice Chairman in 2011.

Mr Lehmann is currently a member of the Remuneration and Nomination Committees.

Lilia Jolibois, 57, American Independent Non-Executive Director

Lilia Jolibois was appointed as Director on 15 November 2019. She is currently a member of three Boards: Cadogan Petroleum Plc, INSEAD Foundation, and CARA (UK and Wales). She is also a Venture and CEO Advisor at Loyal Venture Capital, a global VC fund. Her career spans Merrill Lynch Investment Banking, Sara Lee, and Lafarge in the USA and Europe. At Lafarge Group, Ms Jolibois served in numerous positions in finance, strategy, business development, CEO and Chair of the Board for Lafarge Cement and Gypsum in Ukraine, and SVP and Chief Marketing-Sales-Supply Chain Officer for Lafarge Aggregates, Asphalt & Paving.

Lilia is currently Chairman of the Company's Audit Committee and a member of the Remuneration and Nomination Committees.

Report of the Directors

Directors

The Directors in office during the year and to the date of this report are as shown below:

Non-Executive Directors

Michel Meeùs (Chairman)
Gilbert Lehmann
Lilia Jolibois
Jacques Mahaux

Executive Director

Fady Khallouf

Directors' re-election

The Board has decided previously that all Directors are subject to annual election by shareholders, in accordance with industry best practice and as such, all Directors will be seeking re-election at the Annual General Meeting to be held on 24 June 2022.

The biographies of the Directors in office at the date of this report are shown on page 16.

Appointment and replacement of Directors

The Company's Articles of Association allow the Board to appoint any individual willing to act as a Director either to fill a vacancy or act as an additional Director. The appointee may hold office only until the next annual general meeting of the Company whereupon his or her election will be proposed to the shareholders.

The Company's Articles of Association prescribe that there shall be no fewer than three Directors and no more than fifteen.

Directors' interests in shares

The beneficial interests of the Directors in office at 31 December 2021 and their connected persons in the Ordinary shares of the Company at 31 December 2021 are set out below.

Director	Number of Shares
Michel Meeùs	26,000,000
Fady Khallouf	10,425,455
Gilbert Lehmann	-
Lilia Jolibois	-
Jacques Mahaux	-

Conflicts of Interest

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Company, its subsidiaries or any matters to be discussed at meetings, they are required to formally notify the Board in writing or at the next Board meeting. In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise any potential or actual conflict of interest that may otherwise involve any of the Directors breaching his or her duty to avoid conflicts of interest. All potential and actual conflicts approved by the Board are recorded in register of conflicts, which is reviewed by the Board at each Board meeting.

Directors' indemnities and insurance

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, all Directors of the Company are indemnified by the Company in respect of any liability incurred in connection with their duties, powers or office. Save for such indemnity provisions, there are no qualifying third-party indemnity provisions. In addition, the Company continues to maintain Directors' and Officers' Liability Insurance for all Directors who served during the year.

Powers of Directors

The Directors are responsible for the management of the business and may exercise all powers of the Company subject to UK legislation and the Company's Articles of Association, which includes powers to issue or buy back the Company's shares given by special resolution. The authorities to issue and buy back shares, granted at the 2021 Annual General Meeting, remains unused.

Dividends

The Directors do not recommend payment of a dividend for the year ended 31 December 2021 (2020: nil).

Principal activity and status

The Company is registered as a public limited company (registration number 05718406) in England and Wales. The principal activity and business of the Company is oil and gas exploration, development and production.

Report of the Directors *continued*

Subsequent events

In February 2022, Usenco Nadra received information from a public register that its claim was rejected by the Court of first instance. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal. As a result and given the present uncertainty on the process and decision timing due to the ongoing war, the Group recognised impairment on the full balance sheet value of E&E assets in an amount of \$2.5 million.

After several months of military confrontation, Russia invaded Ukraine on 24 February 2022. The war is increasingly affecting the economy of Europe and exacerbating ongoing economic challenges, including issues such as rising inflation and supply-chain disruption. The degree to which the Group will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action and reactions to ongoing developments by global financial markets. At the beginning of March 2022, the Company stopped its production operations for 3 weeks and was able to resume them after having secured its employees safety, the transactions with its customers and deliveries. Starting the end of March 2022 and till the date of the report the Group is operating in due course, production operates with a full capacity, product shipments are not interrupted.

Structure of share capital

The authorised share capital of the Company is currently £30,000,000 divided into 1,000,000,000 Ordinary shares of 3 pence each. The number of shares in issue as at 31 December 2021 was 244,128,487 Ordinary shares (each with one vote) with a nominal value of £7,323,854.61. The total number of voting rights in the Company is 244,128,421. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allow companies to hold shares in treasury rather than cancel them. Following the consolidation of the issued capital of the Company on 10 June 2008, there were 66 residual Ordinary shares, which were transferred to treasury. No dividends may be paid on shares whilst held in treasury and no voting rights attached to shares held in treasury.

Rights and obligations of Ordinary shares

In accordance with applicable laws and the Company's Articles of Association, holders of Ordinary shares are entitled to:

- > receive shareholder documentation including the notice of any general meeting;
- > attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- > a dividend where declared and paid out of profits available for such purposes. On a return of capital on a winding up, holders of Ordinary shares are entitled to participate in such a return.

Exercise of rights of shares in employee share schemes

None of the share awards under the Company's incentive arrangements are held in trust on behalf of the beneficiaries.

Agreements between shareholders

The Board is unaware of any agreements between shareholders, which may restrict the transfer of securities or voting rights.

Restrictions on voting deadlines

The notice of any general meeting of the Company shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote at a general meeting. To accurately reflect the views of shareholders, where applicable it is the Company's policy at present to take all resolutions at any general meeting on a poll. Following the meeting, the results of the poll are released to the market via a regulatory news service and published on the Company's website.

Substantial shareholdings

As at 31 December 2021 and 21 April 2022, being the last practicable date, the Company had been notified of the following interests in voting rights attached to the Company's shares:

Major shareholder	31 December 2021		21 April 2022	
	Number of shares held	% of total voting rights	Number of shares held	% of total voting rights
SPQR Capital Holdings SA	67,298,498	27.57	67,298,498	27.57
Mr Michel Meeùs	26,000,000	10.65	26,000,000	10.65
Ms Veronique Salik	17,959,000	7.36	17,959,000	7.36
Devola SA	17,409,000	7.13	17,409,000	7.13
Kellet Overseas Inc.	14,002,696	5.74	14,002,696	5.74
Mr Fady Khallouf	10,425,455	4.27	10,425,455	4.27
CA Indosuez Wealth Management	9,789,305	4.13	9,789,305	4.13
Mr Pierre Salik	7,950,000	3.26	7,950,000	3.26
Cynderella International SA	7,657,886	3.14	7,657,886	3.14

Amendment of the Company's Articles of Association

The Company's Articles of Association may only be amended by way of a special resolution of shareholders.

Disclosure of information to auditor

As required by section 418 of the Companies Act 2006, each of the Directors as at 28 April 2022 confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out on pages 10 to 13.

Having considered the Company's financial position and its principal risks and uncertainties, including uncertainties regarding the war in Ukraine and the assessment of potential risks associated with Covid-19 including a) restrictions applied by governments, illness amongst our workforce and disruption to supply chain and sales channels; and b) market volatility in respect of commodity prices associated with Covid-19 in addition to geopolitical factors, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Consolidated and Company Financial Statements.

Reporting year

The reporting year coincides with the Company's fiscal year, which is 1 January 2021 to 31 December 2021.

Financial risk management objectives and policies

The Company's financial risk management objectives and policies including its policy for managing its exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk.

Management co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group in Ukraine through internal risks reports, which analyse exposures by degree and magnitude of risks. These risks include commodity price risks, foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Outlook

Future developments in the business of the Company are presented on page 6.

Change of control - significant agreements

The Company has no significant agreements containing provisions, which allow a counterparty to alter and amend the terms of the agreement following a change of control of the Company.

Should a change in control occur then certain Executive Directors are entitled to a payment of salary and benefits for a period of six months.

Streamlined energy and carbon reporting

This section contains information on greenhouse gas ("GHG") emissions required by the Companies Act 2006 (Strategic Report and Directors' Report).

Methodology

The principal methodology used to calculate the emissions is drawn from the 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013)', issued by the Department for Environment, Food and Rural Affairs ("DEFRA") and DEFRA GHG conversion factors for company reporting were utilised to calculate the CO2 equivalent of emissions from various sources (2018 update). Also, the used methodology was also updated based on methods proposed by DNV GL and in of GHG emissions inventory referring to the following guidelines and international standards.

The Company has reported on all the emission sources required under the Regulations.

The Company does not have responsibility for any emission sources that are not included in its consolidated statement.

Consolidation approach and organisation boundary

An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

Report of the Directors *continued*

Scope of reported emissions

Emissions data from the sources within Scope 1 and Scope 2 of the Company's operational boundaries is detailed below. This includes direct emissions from assets that fall within the Company's organisational boundaries (Scope 1 emissions), as well as indirect emissions from energy consumption, such as purchased electricity and heating (Scope 2 emissions).

Scope 1 emissions in 2021 increased compared to the previous year (13,063 tons in 2021 vs 7,720 tons in 2020). This was caused by the increase of production in 2021 and increase of the gas factor in the produced oil.

Conversely, Scope 2 emissions decreased in 2021 (137 tons in 2021 vs 143 tons in 2020), as a result of the processes started in 2016 to improve the efficiency of the structure, logistic and facilities. Total emissions in 2021 were 13,200 tons versus the 7,863 tons of 2020.

Intensity ratio

In order to express the GHG emissions in relation to a quantifiable factor associated with the Company's activities, wellhead production of crude oil and natural gas has been chosen as the normalisation factor for calculating the intensity ratio. This will allow comparison of the Company's performance over time, as well as with other companies in the Company's peer group.

The intensity ratio for E&P operations (same reporting perimeter) increased to 103,4 tons CO₂e/Kboe in 2021 vs 73,9 tons CO₂e/Kboe in 2020.

Total greenhouse gas emissions data for the year from 1 January to 31 December

Greenhouse gas emissions source	E&P	
	2021	2020
Scope 1		
Direct emissions, including combustion of fuel and operation of facilities (tonnes of CO ₂ equivalent)	13,063	7,720
Scope 2		
Indirect emissions from energy consumption, such as electricity and heating purchased for own use (tonnes of CO ₂ equivalent)	137	143
Total (Scope 1 & 2)	13,200	7,863
Normalisation factor		
Barrels of oil equivalent, net	127,662	106,398
Intensity ratio		
Emissions reported above normalised to tonnes of CO ₂ e per total wellhead production of crude oil, condensates and natural gas, in thousands of Barrels of Oil Equivalent, net	103,4	73,9

Energy consumption

The Company started in 2020 to monitor energy consumption in kWh.

	2021 kWh	2020 kWh	% change 2021 - 2020
Ukraine	572,890	547,545	4,6%

Energy consumption in the UK is immaterial.

2022 Annual General Meeting

The 2022 Annual General Meeting ("AGM") of the Company provides an opportunity to communicate with shareholders and the Board welcomes their participation. Board members constantly strive to engage with shareholders on strategy, governance and a number of other issues.

The Board looks forward to welcoming shareholders to the AGM. The AGM notice will be issued to shareholders well in advance of the meeting with notes to provide an explanation of all resolutions to be put to the AGM. In addition, shareholder information will be enclosed as usual with the AGM notice to facilitate voting and feedback in the usual way.

The Chairman of the Board and the members of its committees will be available to answer shareholder questions at the AGM. All relevant shareholder information including the annual report for 2021 and any other announcements will be published on our website - www.cadoganpetroleum.com.

This Report of Directors comprising pages 17 to 21 has been approved by the Board and signed by the order of the Board by:

Ben Harber
Company Secretary
28 April 2022

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report

As a Company listed on the standard segment of the London Stock Exchange it is not required to apply a specific corporate governance code and, given its size, has elected not to do so. However, the Board of the Company is committed to the highest standards of corporate governance and believe that the 2018 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") and believes that the Code provides a suitable benchmark for the Company's corporate governance framework. This Statement outlines how Cadogan Petroleum plc ("Cadogan" or the "Company") has applied the relevant principles of the Code and complied with its provisions.

This Statement outlines how Cadogan Petroleum plc ("Cadogan" or the "Company") has applied the relevant principles of the Code and complied with its provisions.

During the year under review, the Company complied with all the provisions of the Code, other than the exceptions noted below or elsewhere in this statement:

- › Provision 5 (Workforce Engagement): Given the size of the business, the Board does not consider it appropriate to adopt the suggested methods outlined within the UK Corporate Governance Code 2018 to engage with its employees given the size of the Company. Employee engagement continues to be undertaken by senior management and any issues are escalated to the Board through the Chief Executive Officer. The Board believes that the arrangements in place are effective but will continue to keep this under review.
- › Provision 9 (regarding the independence criteria of the Chair on appointment): Under the 2018 Corporate Governance Code, the Company's Chair, Mr Michel Meeùs, is not considered to be independent given the size of his shareholding in the Company. Despite this, the Board considers Mr Meeùs to be independent in character, mindset and judgement.
- › Provision 21 (Board Evaluation): Given the size of the Board it was felt that a board evaluation would not provide added value however the Board will continue to assess this provision periodically.
- › Provision 24 (Audit Committee Composition): Given the size of the Board, the Audit Committee does not totally consist of independent Non-Executive Directors. Ms Lilia Jolibois, Independent Non-Executive Director, chairs the Audit Committee whilst Mr Jacques Mahaux, Non-Executive Director, is a member of the Audit Committee.
- › Provision 32 (Remuneration Committee Composition): Given the size of the Board, the Audit Committee does not totally consist of independent Non-Executive Directors. The Remuneration Committee consists of Mr Michel Meeùs, Ms Lilia Jolibois, Mr Jacques Mahaux and Mr Gilbert Lehmann.

Board Leadership and Company Purpose

The Board provides leadership and oversight, and its role is to ensure the long-term success of the Company by implementing the Company's strategy and business plan, overseeing its affairs, and providing constructive challenge to management as they do this. In addition to this, the Board oversees financial matters, governance, internal controls and risk management. The purpose of the Board is to:

- › monitor Group activities to see that sustainable value is being created;
- › evaluate business strategies and monitor their implementation;
- › monitor and review the performance of management;
- › provide accountability to shareholders through appropriate reporting and regulatory compliance;
- › understand and ensure the management of operational business and financial risks to which the Group is exposed; and
- › ensure that the financial controls and systems of risk management are robust and defensible.

The Board comprises a Non-Independent non-executive Chairman, Chief Executive Officer, two Independent Non-Executive Directors and a Non-Executive Director. The Board has appointed Mr Lehmann as the Senior Independent Director.

The biographical details for each of the Directors and their membership of Committees are incorporated into this report by reference and appear on page 16.

The formal schedule of matters reserved for the Board's decision is available on the Company's website.

The Board recognises the importance of building strong relationships with stakeholders and understanding their views in order to help the Company deliver its strategy and promote the development of the business over the long-term. The Board is committed to having effective engagement with its stakeholders. Our section 172 statement can be found on pages 25 to 26 which summarises the Board's engagement with the Company's main stakeholders and some examples of how their views have been taken into account in the Board's decision-making.

The Company seeks to ensure that it always acts lawfully, ethically and with integrity. The Company has in place the following policies which the Board reviews periodically:

- › Code of Business Conduct and Ethics
- › Anti-Bribery Policy
- › Share Dealing Code
- › Disclosure Policy
- › Health, Safety and Environmental policies.

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Company, its subsidiaries or any matters to be discussed at meetings, they are required to formally notify the Board in writing or at the next Board meeting. In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise any potential or actual conflict of interest that may otherwise involve any of the Directors breaching his or her duty to avoid conflicts of interest. All potential and actual conflicts approved by the Board are recorded in register of conflicts, which is reviewed by the Board at each Board meeting.

Directors' declarations of interests is a regular Board agenda item. A register of Directors' interests (including any actual or potential conflicts of interest) is maintained and reviewed regularly to ensure all details are kept up to date. Authorisation is sought prior to a Director taking on a new appointment or if any new conflicts or potential conflicts arise. New Directors are required to declare any conflicts, or potential conflicts, of interest to the Board at the first Board meeting after his or her appointment. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

Division of Responsibilities

The Directors possess a wide range of skills, knowledge and experience relevant to the strategy of the Company, including financial, legal, governance, regulatory and industry experience as well as the ability to provide constructive challenge to the views and actions of executive management in meeting agreed strategic goals and objectives.

The roles and responsibilities of the Chairman and Chief Executive Officer are separate with a clear and formal division of each individual's responsibilities, which has been agreed and documented by the Board.

The Non-Executive Directors bring an independent view to the Board's discussions and the development of its strategy. Their range of experience ensures that management's performance in achieving the business goals are challenged appropriately. Two Non-Executive Directors, Ms Lilia Jolibois, and Mr Gilbert Lehmann are considered by the Board to be independent. Mr Gilbert Lehmann, Senior Independent Non-Executive Director, has served on the Board for longer than 9 years since his appointment, the board is of the view that he retains his independent judgement and continues to make a valuable contribution to the Board.

Mr Michel Meeùs, who is a significant shareholder and Mr Jacques Mahaux are not considered independent as defined within the UK Corporate Governance Code 2018, however the Board believes they are independent in character and judgement and free from relationships or circumstances that could affect their judgement.

The Board has access to the advice of the company secretary.

Composition, Succession and Evaluation

The Company has established a nomination committee which leads the process for Board appointments by identifying and nominating candidates for the approval of the Board to fill Board vacancies and making recommendations to the Board on Board's composition and balance. The Company's Nomination Committee Report can be found on page 31.

Under the Company's Articles of Association, all Directors must seek re-election by members at least once every three years. However, the Board has agreed that all Directors will be subject to annual election by shareholders in line with Corporate Governance best practice. Accordingly, all members of the Board will be standing for re-election at the 2022 Annual General Meeting due to be held on 24 June 2022.

All Directors continue to be effective and have sufficient time available to perform their duties. The letters of appointment for the Non-Executive Directors are available for review at the Registered Office and prior to the Annual General Meeting. Each of the Non-Executive Directors independently ensures that they update their skills and knowledge sufficiently to enable them to fulfil their duties appropriately.

The Chairman, in conjunction with the Company Secretary, plans the programme for the Board during the year. While no formal structured continuing professional development program has been established for the Non-Executive Directors, every effort is made to ensure that they are fully briefed before Board meetings on the Company's business. The agenda for Board and Committee meetings are considered by the relevant Chairman and issued with supporting papers during the week preceding the meeting. For each Board meeting, the Directors receive a Board pack including management accounts, briefing papers on commercial and operational matters and major capital projects including acquisitions. The Board also receives briefings from key management on specific issues.

Corporate Governance Statement continued

This Corporate Governance Statement forms part of the Directors' Report

Audit, Risk and Internal Control

The Board has delegated certain responsibilities to its committees including its audit committee. The Company's Audit Committee Report can be found on pages 27 to 28.

The role of the Audit Committee is to monitor the integrity of the Company's financial reporting, to review the Company's internal control and risk management systems and to oversee the relationship with the Group's external auditors. The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the rules of the Financial Services Authority. The Audit Committee will meet at least three times a year with further meetings that are determined by the committee. Any member of the committee or the external auditors may request any additional meetings they consider necessary.

The Directors are responsible for the Group's system of internal control and for maintaining and reviewing its effectiveness. The Group's systems and controls are designed to safeguard the Group's assets and to ensure the reliability of information used both within the business and for publication. The Board has delegated responsibility for the monitoring and review of the Group's internal controls to the Audit Committee.

Systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute assurance against material misstatement or loss.

The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated financial statements, capital expenditure, project governance and information security.

The key features of the internal control systems, which operated during 2021 and up to the date of signing the Financial Statements are documented in the Group's Corporate Governance Policy Manual and Finance Manual. These manuals and policies have been circulated and adopted throughout the Group throughout the period.

Day-to-day responsibility for the management and operations of the business has been delegated to the Chief Executive Officer and senior management. Certain specific administrative functions are controlled centrally. Taxation and treasury functions report to the Group Director of Finance who reports directly to the Chief Executive Officer.

The legal function for Ukraine's related assets and activities is managed by the General Counsel, who reports to the General Director of Cadogan Ukraine. The Health, Safety and Environment functions report to the Chairman of the HSE Committee, the HSE Committee Report can be found on pages 29 to 30. The Group does not have an internal audit function. Due to the small scale of the Group's operations at present, the Board does not feel that it is appropriate or economically viable to have an internal audit function in place, however this will be kept under review by the Audit Committee on an annual basis.

The Board has reviewed internal controls and risk management processes, in place from the start of the year to the date of approval of this report. During the course of its review the Board did not identify nor were advised of any failings or weaknesses which it has deemed to be significant.

A summary of the principal risks facing the Company and the mitigating actions in place are contained on pages 10 to 13 of the annual report.

The Company's going concern is contained on page 19 of the annual report.

Further information on the work undertaken by the Committee during the year can be found on pages 27 to 28 of the annual report.

Remuneration

The Board has established a Remuneration Committee and the Company's Remuneration Committee Report can be found on pages 33 to 47 of the annual report.

The role of the Remuneration Committee is to determine and agree with the Board the broad policy for the remuneration of executives and Senior Managers as designated, as well as for setting the specific remuneration packages, including pension rights and any compensation payments of all Executive Directors and the Chairman. The Company's remuneration policies and practices are designed to support its long-term strategy and promote the long-term sustainable success of the Company.

Attendance at Meetings

Six Board meetings took place during 2021. The attendance of those Directors in place at the year end at Board and Committee meetings during the year was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
No. Held	6	3	1	2
No. Attended:				
M Meeùs	6	N/A	1	2
F Khallouf	6	N/A	N/A	N/A
L Jolibois	6	3	1	2
G Lehmann	6	N/A	1	2
J Mahaux	6	3	1	2

Responsibilities and membership of Board Committees

The Board has agreed written terms of reference for the Nomination Committee, Remuneration Committee, Audit Committee and HSE committee. The terms of reference for the Board Committees are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. A review of the Committees including their membership and activities of all Board Committees is provided on pages 27 to 31.

Relations with shareholders

The Chairman and Executive Directors of the Company have a regular dialogue with analysts and substantial shareholders. The outcome of these discussions is reported to the Board at quarterly meetings and discussed in detail. Mr Lehmann, as the Senior Independent Director, is available to meet with shareholders who have questions that they feel would be inappropriate to raise via the Chairman or Executive Directors.

The Annual General Meeting is used as an opportunity to communicate with all shareholders. In addition, financial results are posted on the Company's website, www.cadoganpetroleum.com, as soon as they are announced. The Notice of the Annual General Meeting is also contained on the Company's website, www.cadoganpetroleum.com. It is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at the Annual General Meeting. The results of all resolutions will be published on the Company's website, www.cadoganpetroleum.com.

Directors' section 172 statement

The disclosure describes how the Directors have regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

Being sustainable in our activities means conducting our business with respect for the environment and for the communities hosting us, with the aim of increasing the benefit and value to our stakeholders. We recognise that this is a key element to be competitive and to maintain our licence to operate.

Further details of how the Directors have regard to the issues, factors and stakeholders considered relevant in complying with S 172 (1) (a)-(f), the methods used to engage with stakeholders and the effect on the Group's decision making can be found throughout the annual report and in particular pages 24 (which outlines how the Company engages with its stakeholders), pages 14 to 15 (which contains Cadogan's corporate responsibility statement) pages 19 to 20 (which contains the Company's report on greenhouse gas emissions) and page 24 (which outlines the ways in which the Company engages with its shareholders).

In particular, during 2021 the Directors reviewed the impact of Covid-19 pandemic on the processes of the Company and specifically its employees and the communities in which it operates. Specific decisions and measures have been taken to ensure the health and security and to provide assistance where needed (page 14).

Corporate Governance Statement *continued*

This Corporate Governance Statement forms part of the Directors' Report

Also, as a consequence of the continuous Covid-19 and the volatility of the oil and gas prices, and their potential impact on the operational activities and financial situation of the Group, the Directors carefully analysed the going concern and any consequence on the future activities (pages 10 to 13).

The Group has implemented an integrated HSE management system aiming to ensure a safe and environmentally friendly culture in the organisation (page 14). However, regarding the environmental sustainability of the Group's activities, the Directors are fully aware of the need to direct future development in new activities with a lower impact on environment (CEO outlook pages 6, 19).

When assessing the Proger instrument (Loan and Call Option), the Directors carefully considered the issues and decisions with their impact on the Group and all of its stakeholders (pages 5, 6, 10-13).

The Board has a formal schedule of matters specifically reserved for its decision, including approval of acquisitions and disposals, major capital projects, financial results, Board appointments, dividend recommendations, material contracts and Group strategy. For each Board meeting, the Directors receive a Board pack including management accounts, briefing papers on commercial and operational matters and major capital projects including acquisitions. The Board also receives briefings from key management on specific issues.

In particular, as a consequence of the increasing military confrontation between Ukraine and Russia which ended with the invasion of Ukraine by Russia in February 2022, the Board discussed the current situation prevailing in Ukraine and its consequences on the security of the employees, the organisation of the operations in Ukraine and the potential impacts on its human, financial and operational assets. The Group has been able to implement immediately emergency procedures with safety and protection measures communicated to all employees and put in place for every location. Specific measures have been put in place for the operations on site to ensure the human, the industrial and the environmental safety. The Group is monitoring the situation daily and taking appropriate action to ensure the safety and essential needs of its employees.

Board Committee Reports

Audit Committee Report

The Audit Committee is appointed by the Board, on the recommendation of the Nomination Committee, from the Non-Executive Directors of the Group. The Audit Committee's terms of reference are reviewed annually by the Audit Committee and any changes are then referred to the Board for approval. The terms of reference of the Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum.

Responsibilities

- > To monitor the integrity of the annual and interim financial statements, the accompanying reports to shareholders, and announcements regarding the Group's results;
- > To review and monitor the effectiveness and integrity of the Group's financial reporting and internal financial controls;
- > To review the effectiveness of the process for identifying, assessing and reporting all significant business risks and the management of those risks by the Group;
- > To oversee the Group's relations with the external auditor and to make recommendations to the Board, for approval by shareholders, on the appointment and removal of the external auditor;
- > To consider whether an internal audit function is appropriate to enable the Audit Committee to meet its objectives; and
- > To review the Group's arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Governance

Ms Jolibois and Mr Mahaux are both members of the Audit Committee. The Audit Committee is chaired by Ms Jolibois who had relevant financial experience within a major European company as well as holding several non-executive roles in major international entities.

At the invitation of the Audit Committee, the Group Director of Finance and external auditor regularly attend meetings. The Company Secretary attends all meetings of the Audit Committee.

The Audit Committee also meets the external auditor without management being present.

Activities of the Audit Committee

During the year, the Audit Committee discharged its responsibilities as follows:

Assessment of the effectiveness of the external auditor

The Committee has assessed the effectiveness of the external audit process. They did this by:

- > Reviewing the 2021 external audit plan;
- > Discussing the results of the audit including the auditor's views on material accounting issues and key judgements and estimates, and their audit report;
- > Considering the robustness of the audit process;
- > Reviewing the quality of the service and people provided to undertake the audit; and
- > Considering their independence and objectivity.

Financial statements

The Audit Committee examined the Group's consolidated and Company's financial statements and, prior to recommending them to the Board, considered:

- > the appropriateness of the accounting policies adopted;
- > reviewed critical judgements, estimates and underlying assumptions; and
- > assessed whether the financial statements are fair, balanced and understandable.

Board Committee Reports *continued*

Going concern

Notwithstanding the Group's current financial performance and position, the Board are cognisant of the actual impacts on the Group of Covid-19 and specifically the war situation in Ukraine. The Board has considered possible reverse stress case scenarios for the impact on the Group's operations, financial position and forecasts. Whilst the potential future impacts of Covid-19 and the invasion of Ukraine by Russia are unknown, the Board has considered operational disruption that may be caused by the factors such as a) restrictions applied by governments, illness amongst our workforce and disruption to supply chain and sales channels; b) market volatility in respect of commodity prices associated with Covid-19 in addition to military and geopolitical factors.

In addition to sensitivities that reflect future expectations regarding country, commodity price and currency risks that the Group may encounter reverse stress tests have been run to reflect possible negative effects of Covid-19 and war in Ukraine. The Group's forecasts demonstrate that owing to its cash resources the Group is able to meet its operating cash flow requirements and commitments whilst maintaining significant liquidity for a period of at least the next 12 months allowing for sustained reductions in commodity prices and extended and severe disruption to operations should such a scenario occur.

After making enquiries and considering the uncertainties described above, the Committee has a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis of accounting to be appropriate.

Internal controls and risk management

The Audit Committee reviews and monitors financial and control issues throughout the Group including the Group's key risks and the approach for dealing with them. Further information on the risks and uncertainties facing the Group are detailed on pages 10 to 13.

External auditor

The Audit Committee is responsible for recommending to the Board, for approval by the shareholders, the appointment of the external auditor.

The Audit Committee considers the scope and materiality for the audit work, approves the audit fee, and reviews the results of the external auditor's work. Following the conclusion of each year's audit, it considers the effectiveness of the external auditor during the process. An assessment of the effectiveness of the audit process was made, considering reports from the auditor on its internal quality procedures. The Committee reviewed and approved the terms and scope of the audit engagement, the audit plan and the results of the audit with the external auditor, including the scope of services associated with audit-related regulatory reporting services. Additionally, auditor independence and objectivity were assessed, considering the auditor's confirmation that its independence is not impaired, the overall extent of non-audit services provided by the external auditor and the past service of the auditor. A breakdown of the non-audit fees is disclosed in note 10 to the Consolidated Financial Statements. The Audit Committee has reviewed the nature, level and timing of these services in the course of the year and is confident that the objectivity and independence of the auditor are not impaired by the reason of such non-audit work.

Internal audit

The Audit Committee considers annually the need for an internal audit function and believes that, due to the size of the Group and its current stage of development, an internal audit function will be of little benefit to the Group.

Whistleblowing

The Group's whistleblowing policy encourages employees to report suspected wrongdoing and sets out the procedures employees must follow when raising concerns. The policy, which was implemented during 2008 is reviewed periodically. The Group's policies on anti-bribery, the acceptance of gifts and hospitality, and business conduct and ethics are circulated to staff as part of a combined manual on induction with changes regularly communicated.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Audit Committee.

Lilia Jolibois
Chairman of the Audit Committee
28 April 2022

Health, Safety and Environment Committee Report

The Health, Safety and Environment Committee (the "HSE Committee") is appointed by the Board, on the recommendation of the Nomination Committee. The HSE Committee's terms of reference are reviewed annually by the Committee and any changes are then referred to the Board for approval. The terms of reference of the Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office. Two members constitute a quorum, one of whom must be a Director.

Governance

The Committee is chaired by Mr Andrey Bilyi (Cadogan Ukraine General Director) as acting Head of the HSE Committee and its other member is Ms Snizhana Buryak (HSE Manager). The CEO attends meetings of the HSE Committee as necessary. During 2021, the HSE Committee held four meetings to monitor the HSE risks and activities across the business, following which actions were identified for the continuous improvement of the various processes and the mitigation of risk.

Responsibilities

- To regularly maintain and implement the continuous improvement of the HSE Management System with the aim of improving the Company's performances;
- To manage and mitigate the risks of personnel infection with Covid-19 virus. Work-out respective administrative and healthcare measures to provide safe working conditions for the employees. Prevent the spread of Covid-19 as well as ensuring staff reasonable vaccination level;
- Assessments of the risks to employees, contractors, customers, partners, and any other people who could be affected by the Company's activities with the aim of reducing the global risk of the Company and increasing its level of acceptability;
- Evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operation;
- Assess the policies and systems within the Group for ensuring compliance with health, safety and environmental regulatory requirements;
- Assess the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties and also assess the impact of such decisions and actions on the reputation of the Group and make recommendations to the Board on areas for improvement;
- On behalf of the Board, receive reports from management concerning any fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- Evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, environmental and community relations issues; and
- Where it deems it appropriate to do so, appoint an independent auditor to review performance with regard to health, safety, environmental and community relations matters and review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same.

Activities of the Health, Safety and Environment Committee

The HSE Committee in discharging its duties reviewed and considered the following:

- Company activities execution and control over contractors services execution in line with company policies and HSE procedures;
- Monthly statistics and reports on the activity were regularly distributed to the CEO, Management and to the members of the committee;
- Ensured that the implementation of new legislation and requirements were punctually followed-up and promptly updated;
- Compliance with HSE regulatory requirements was ensured through discussion of the results of inspections, both internal inspections and those carried out by the Authorities. The results of the inspections and drills were analysed and commented to assess the need for corrective actions and/or training initiatives;
- A standing item was included on the agenda at every meeting to monitor monthly HSE performance, key indicators and statistics allowing the HSE Committee to assess the Company's performance by analysing any lost-time incidents, near misses, HSE training and other indicators;

Board Committee Reports *continued*

- › Interaction with contractors, Authorities, local communities and other stakeholders were discussed among other HSE activities;
- › Compliance to ISO 14001 and ISO 45001 has been proved by the authorised third party auditor. Also the Company had its entire data calculation process as well as emissions measurement system re-validated by a different independent third party;
- › Ensuring all the Observation and Actions requested by the Certification Body have been implemented.

Overview

The Company's HSE Management System and the Guidelines and Procedures have been updated to fit with the ISO requirements and are adequate for the proper execution of the Company's operations.

As a result of its work during the year, the HSE Committee has concluded that it has acted in accordance with its terms of reference.

Nomination Committee Report

The Board delegates some of its duties to the Nomination Committee and appoints the members of the Nomination Committee which are Non-Executive Directors of the Group. The membership of the Committee is reviewed annually and any changes to its composition are referred to the Board for approval. The terms of reference of the Nomination Committee are published on the Company's website, www.cadoganpetroleum.com, and are available from the Company Secretary at the Registered Office. Two members constitute a quorum.

Governance

Mr Michel Meeùs (Remuneration and Nomination Committee Chairman), Ms Lilia Jolibois, Mr Jacques Mahaux and Mr Gilbert Lehmann (Non-Executive Directors) are the members of the Nomination Committee. The Company Secretary attends all meetings of the Nomination Committee.

Responsibilities

- › To regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- › Be responsible for identifying and nominating candidates to fill Board vacancies as and when they arise, for the Board's approval;
- › Before appointments are made by the Board, evaluate the balance of skills, knowledge, experience and diversity (gender, ethnic, age, sex, disability, educational and professional backgrounds, etc.) on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment; and
- › In identifying suitable candidates, the Nomination Committee shall use open advertising or the services of external advisers to facilitate the search and consider candidates from a wide range of backgrounds on merit, ensuring that appointees have enough time available to devote to the position.

The Nomination Committee shall also make recommendations to the Board concerning:

- › Formulating plans for succession for both executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer;
- › Membership of the Audit and Remuneration Committees, in consultation with the Chairmen of those committees;
- › The reappointment of any Non-Executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and
- › The re-election by shareholders of any Director having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

Any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and their service contract.

Activities of the Nomination Committee

During the financial year under review, the Committee reviewed and considered the following:

- › The size, structure and composition of the Board in the light of the current business environment, the Company's anticipated future activities and particularly the independence of the Non-Executive Directors;
- › Its internal governance documents and the Policy;

The Committee recommends the re-election of the five incumbent Directors at the AGM.

Overview

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference. The Chairman of the Nomination Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Michel Meeùs
Nomination Committee Chairman
 28 April 2022

Board Committee Reports *continued*

Remuneration Committee

Statement from the Chairman

I am pleased to present the Annual Report on Remuneration for the year ended 31 December 2021.

Cadogan's Remuneration Policy was approved as proposed by the shareholders at the Annual General Meeting of June 25, 2021 and is attached at the end of the Annual Report on Remuneration. The Remuneration Committee is not proposing to make any changes to the existing Policy however in line with industry best practice and the three-year Policy cycle the Company will be seeking shareholder approval at this year's AGM.

The key elements of the Remuneration Policy are:

- > A better long-term alignment of the executives' remuneration with the interests of the shareholders;
- > A material reduction in the maximum remuneration level for the Executive Directors, both in terms of annual bonus and of long-term incentive (performance share plan);
- > The payment of at least 50% of the Annual Bonus in shares with the remaining 50% to be paid in cash or shares at the discretion of the Remuneration Committee. Shares will be priced for this award based on their market value at closing on the Business Day prior to the Subscription Date;
- > The introduction of claw-back and malus provisions on both bonuses and share awards; and
- > The expectation that the Executive Directors build a substantial shareholding position in the company through their mandate.

Michel Meeùs
Chairman of the Remuneration Committee
28 April 2022

Annual Report on Remuneration 2021

Remuneration Committee Report

The Remuneration Committee is committed to principles of accountability and transparency to ensure that remuneration arrangements demonstrate a clear link between reward and performance.

Governance

The Remuneration Committee is appointed by the Board from the Non-Executive Directors of the Company. The Remuneration Committee's terms of reference are reviewed annually by the Remuneration Committee and any changes are then referred to the Board for approval. The terms of reference of the Remuneration Committee are published on the Company's website, www.cadoganpetroleum.com, and are also available from the Company Secretary at the Registered Office.

The Remuneration Committee consists of Mr Michel Meeùs, Ms Lilia Jolibois, Mr Jacques Mahaux and Mr Gilbert Lehmann. At the discretion of the Remuneration Committee, the Chief Executive Officer is invited to attend meetings when appropriate but is not present when his own remuneration is being discussed. None of the Directors are involved in deciding their own remuneration. The Company Secretary attends the meetings of the Remuneration Committee.

Responsibilities

In summary, the Remuneration Committee's responsibilities, as set out in its terms of reference, are as follows:

- > To determine and agree with the Board the policy for the remuneration of the Executive Directors, the Company Secretary and other members of executive management as appropriate;
- > To consider the design, award levels, performance measures and targets for any annual or long-term incentives and approve any payments made and awards vesting under such schemes;
- > Within the terms of the agreed remuneration policy, to determine the total individual remuneration package of each Executive Director and other senior executives including bonuses, incentive payments and share options or other share awards; and
- > To ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Overview

The Chairman and Executive Directors of the Company have a regular dialogue with analysts and substantial shareholders, which includes the subject of Directors' Remuneration. The outcome of these discussions is reported to the Board and discussed in detail both there and during meetings of the Remuneration Committee.

As a result of its work during the year, the Remuneration Committee has concluded that it has acted in accordance with its terms of reference. The chairman of the Remuneration Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Remuneration consultants

The Remuneration Committee did not take any advice from external remuneration consultants, with the exception of the review undertaken of the Remuneration Report.

Annual Report on Remuneration 2021

continued

Single total figure of remuneration for Executive and Non-Executive Directors (audited)

Executive Director	\$		\$		\$		\$		\$	
	Salary and fees	2020	Taxable benefit ¹	2020	Contributions to pension schemes	2020	Annual bonus	2020	Total	2020
F Khallouf	519,926	517,389	30,173	59,294 ²	78,619	58,300	-	-	628,717	634,983
Non-Executive Directors										
M Meeùs	89,000	89,000	-	-	-	-	-	-	89,000	89,000
L Jolibois	48,000	48,000	-	-	-	-	-	-	48,000	48,000
J Mahaux	43,000	43,000	-	-	-	-	-	-	43,000	43,000
G Lehmann	38,000	38,000	-	-	-	-	-	-	38,000	38,000
					\$		\$			
					Total Fixed Remuneration	2020	Total Variable Remuneration	2020		
					2021	634,983	2021	-		
Executive Director					628,717	634,983	-	-		
Non-Executive Directors					218,000	218,000	-	-		

Notes to the table

Mr Fady Khallouf

Mr Khallouf was appointed as Chief Executive Officer on 15 November 2019. Mr Khallouf's salary is €440,000 per annum. As part of Mr Khallouf's employment agreement, a welcome bonus equivalent in value to 5,500,000 ordinary shares (using the market value of the shares on the business day prior to the date of issue) is payable to Mr Khallouf and a holding period of two years is applicable to the shares acquired. Pursuant to the terms of the bonus, the amount must be subscribed for ordinary shares in the Company at such time as the executive agrees. The welcome bonus was provided to Mr Khallouf in May 2020.

KPIs

In 2020 the CEO was subject to a performance-related, bonus scheme built around a scorecard with a set of challenging KPI's aligned with the company strategy. The Remuneration Committee, after consultation with the CEO, have decided to postpone any variable performance related bonus for year ended 2020 given the impact of Covid-19 and volatility in oil and gas prices.

Benefits

Benefits may be provided to the Executive Directors, in the form of private medical insurance and life assurance.

The Chairman and Non-Executive Directors

As mentioned above, fees for Non-Executive Directors were reduced by 20 percent on 15 January 2020 with effect from 15 November 2019. The fees are as follows: the Chairman's fee at \$89,000 and the fee for acting as a Non-Executive Director at \$38,000 with an additional \$10,000 for acting as Chairman of the Audit Committee and an additional \$5,000 for a committee membership.

Scheme interests awarded during the financial year (audited)

There were no scheme interests awarded during the year.

Payments to past directors (audited)

In 2021 there were no payments to past Directors.

Payments for loss of office (audited)

No notice period was either worked or paid.

¹ Taxable benefits include life and medical insurance provided to the executive and leased car.

² Amount includes catchup payment for two months 2019.

Directors' interests in shares (audited)

The beneficial interests of the Directors in office as at 31 December 2021 and their connected persons in the Ordinary shares of the Company at 31 December 2021 are set out below:

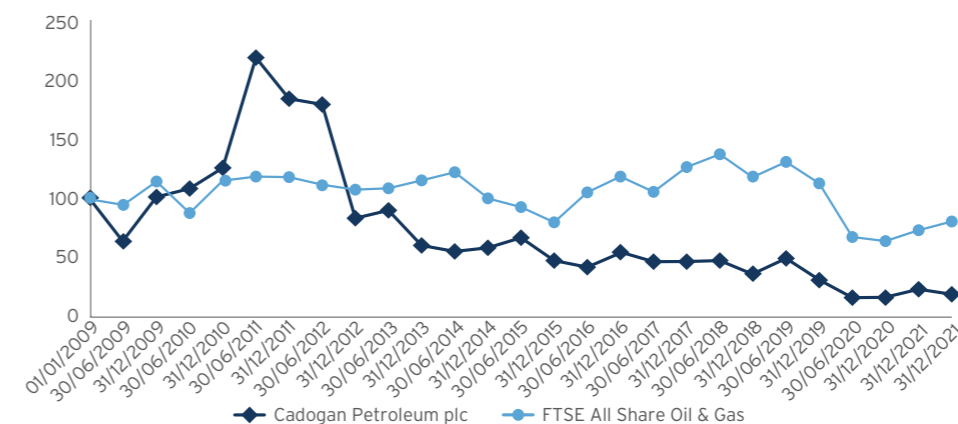
Shares as at 31 December	2021	2020
Michel Meeùs	26,000,000	26,000,000
Fady Khallouf	10,425,455	8,337,031
Gilbert Lehmann	-	-
Lilia Jolibois	-	-
Jacques Mahaux	-	-

There were changes in the Directors shareholding at 31 December 2021 compared to 31 December 2020 (Fady Khallouf).

The Company does not currently operate formal shareholding guidelines. Whilst there is no specified level, the Company expects that under the new Remuneration Policy, the Executive Director will continue to build up a significant shareholding position in the Company during his mandate.

The Company's performance

The graph below highlights the Company's total shareholder return ("TSR") performance for the last twelve years compared to the FTSE All Share Oil & Gas Producers index. This index has been selected on the basis that it represents a sector specific group, which is an appropriate group for the Company to compare itself against, and has been retained ever since, primarily for continuity purposes TSR is the return from a share or index based on share price movements and notional reinvestment of declared dividends.



Annual Report on Remuneration 2021

continued

Historic Remuneration of Chief Executive

	Salary \$	Taxable benefits \$	Annual bonus \$	Long-term incentives \$	Pension \$	Loss of office \$	Total \$
2009	422,533	-	284,552	-	-	-	707,085
2010	547,067	-	-	-	-	-	547,067
2011	669,185	-	-	-	-	-	669,185
2012	511,459	-	-	-	31,966	126,808	670,233
2013	384,941	-	-	-	-	-	384,941
2014	405,433	20,734	-	-	-	-	426,167
2015	432,409 ¹	15,987	243,132	-	-	-	691,528
2016	487,080	15,353	210,504 ²	-	-	-	712,937
2017	497,288	27,273	126,992	-	-	-	651,553
2018	521,664	39,838	201,872	-	-	-	763,374
2019	492,581	45,453	495,109 ³	-	-	-	1,033,143
2020	517,389	59,294	-	-	58,300	-	634,983
2021	519,926	30,173	-	-	78,619	-	628,717

Under the Company's Remuneration Policy, the Remuneration Committee has the authority to review and award an annual performance bonus to Executive Directors.

In 2021, the Remuneration Committee, after consultation with the CEO, have decided to postpone any variable performance related bonus for year ended 2021 given the impact of Covid-19 and volatility in oil and gas prices.

In 2022, given the current situation in Ukraine and any potential future difficulties for the Company, Mr Fady Khallouf has requested that any annual performance related bonus to be considered and paid by the Remuneration Committee in respect of the financial year ended 31 December 2021 be waived.

The annual bonus received by the CEO as a percentage of the maximum opportunity is presented in the following table:

Year	CEO	CEO single figure of total remuneration \$	Annual bonus payout against maximum opportunity %
2021	Mr Khallouf	628,717	-
2020	Mr Khallouf	634,983	-
2019	Mr Khallouf ⁴	444,465	-
	Mr Michelotti	588,678	10
2018	Mr Michelotti	763,374	32
2017	Mr Michelotti	651,553	12
2016	Mr Michelotti	712,937	22 ⁵
2015	Mr Michelotti	502,021	27 ^{3,6}
	Mr des Pallieres	189,507	-
2014	Mr des Pallieres	426,167	-

- 2015 CEO's salary is the sum of Mr des Pallieres' salary for the period January to June and of Mr Michelotti's salary for the period July to December.
- In relation to performance in 2016 and 2015, the CEO used the entire amount of the bonus to buy at market price newly issued company shares on 22 September 2017.
- 2019 Annual bonus is a sum of Mr Michelotti's bonus of \$112,140 and welcome bonus for Mr Khallouf equivalent in value of 5,500,000 ordinary shares based on share's price of £0.0525. Welcome bonus for Mr Khallouf was provided in May 2020 based on share's price of £0.03. Respective correction of the bonus reserve equivalent to \$185 thousand was recognised through share premium account in 2020.
- Includes a welcome bonus for Mr Khallouf equivalent in value of 5,500,000 ordinary shares based on share's price of £0.0525.
- Mr Michelotti undertook to use the entire bonus to buy company's share at market price in order to leave the Company cash neutral.
- Year-end performance-based bonus was an alternative to an up-front sign-on bonus. Mr Michelotti use the entire bonus to buy company's share at market price on 22 September 2017.

Percentage change in the remuneration of the Chief Executive

The following table shows the percentage change in the remuneration of the Chief Executive in 2021 and 2020 compared to that of all employees within the Group.

		2021 \$'000	2020 \$'000	Average Change %
Base salary	CEO	520	517	0.6%
	All employees ⁴	1,978	1,906	4%
Taxable benefits	CEO	108	118 ⁵	(8%)
	All employees	126	139	(9%)
Annual Bonus	CEO	-	-	-
	All employees	-	131	(100%)
Total	CEO	628	635	(1%)
	All employees	2,104	2,176	(3%)

In 2021 none of the Directors participated in long-term incentives.

In 2021 there was no increase in Executive and Non-Executive Directors' salary in base currency. The difference in pay represents the change in exchange rate between the base currency and USD as a reporting currency.

Percentage change in Non-Executive Director remuneration

	Michel Meeüs		All employees	
	2021 \$'000	2020 \$'000	% change 2021 - 2020	% change 2021 - 2020
Base salary/fees	89,000	89,000	-	4%
Taxable benefits (including pensions)	-	-	-	(9%)
Annual bonus	-	-	-	(100%)
Total	89,000	89,000	-	(3%)

	Lilia Jolibois		All employees	
	2021 \$'000	2020 \$'000	% change 2021 - 2020	% change 2021 - 2020
Base salary/fees	48,000	48,000	-	4%
Taxable benefits (including pensions)	-	-	-	(9%)
Annual bonus	-	-	-	(100%)
Total	48,000	48,000	-	(3%)

	Jacques Mahaux		All employees	
	2021 \$'000	2020 \$'000	% change 2021 - 2020	% change 2021 - 2020
Base salary/fees	43,000	43,000	-	4%
Taxable benefits (including pensions)	-	-	-	(9%)
Annual bonus	-	-	-	(100%)
Total	43,000	43,000	-	(3%)

	Gilbert Lehmann		All employees	
	2021 \$'000	2020 \$'000	% change 2021 - 2020	% change 2021 - 2020
Base salary/fees	38,000	38,000	-	4%
Taxable benefits (including pensions)	-	-	-	(9%)
Annual bonus	-	-	-	(100%)
Total	38,000	38,000	-	(3%)

- All employees mean all employees of the Group, including CEO and other Directors (note 11, page 72).
- Includes taxable benefits for 2019.

Annual Report on Remuneration 2021

continued

Relative importance of spend on pay

The table below compares shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure of the Group for the financial years ended 31 December 2020 and 31 December 2021.

	2021 \$'000	2020 \$'000	Year-on-year change, %
All-employee remuneration	2,104	2,176	(3%)
Distributions to shareholders	-	-	-

Shareholder voting at the Annual General Meeting

The Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting held on 25 June 2021 and remains unchanged. The Remuneration Policy can be found on the Group's website and at pages 39 to 47 of this Annual Report on Remuneration. The votes cast by proxy were as follows:

Directors' Remuneration Policy	Number of votes	% of votes cast
For	100,135,172	82.19
Against	21,693,116	17.81
Total votes cast	121,828,288	100.00
Number of votes withheld	0	

The Directors' Annual Report on Remuneration is approved by shareholders at each Annual General Meeting. A summary of the votes cast by proxy in 2020 and 2021 were as follows:

Director's Annual Report on Remuneration	2021		2020	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	100,135,172	82.19	92,185,286	99.78
Against	21,693,116	17.81	202,370	0.22
Total votes cast	121,828,288		92,387,656	100.00
Number of votes withheld	0		80,071	

Implementation of Remuneration Policy in 2021

The performance related elements of remuneration remain unchanged and will be built around a scorecard with a set of KPI's aligned with the Group strategy. The Remuneration Policy can be found on the Group's website and at pages 39 to 47 of this Annual Report on Remuneration.

Approval

The Directors' Annual Report on Remuneration was approved by the Board on 28 April 2022 and signed on its behalf by:

Michel Meeùs
Chairman
28 April 2022

Directors' Remuneration Policy

Introduction

This Directors' Remuneration Policy (the "Policy") contains the information required to be set out as the Directors' remuneration policy for the purposes of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Policy was approved by shareholders at the 2021 AGM of the Company. The Remuneration Committee is not proposing to make any changes to the existing Policy however in line with industry best practice and the three-year Policy cycle the Company will be seeking shareholder approval at this year's AGM. The effective date of this Policy is the date on which the Policy is approved by shareholders.

The Policy applies in respect of all executive officers appointed to the Board of Directors ("Executive Directors") and Non-Executive Directors. Other senior executives may be subject to the Policy, including in relation to annual bonus and shares incentive arrangements in particular if and to the extent that the Remuneration Committee determines it is appropriate.

The Remuneration Committee will keep the Policy under review to ensure that it continues to promote the long-term success of the Company by giving the Company its best opportunity of delivering on the business strategy. It is the Remuneration Committee's intention that the Policy be put to shareholders for approval every three years unless there is a need for the Policy to be approved at an earlier date.

The Company aims to provide sufficient flexibility in the Policy for unanticipated changes in compensation practices and business conditions to ensure the Remuneration Committee has appropriate discretion to retain its top executives who perform. The Remuneration Committee reserves the right to approve any payments that may be outside the terms of this Policy, where the terms of that payment were agreed before the Policy came into effect, or before the individual became a Director of the Company.

Maximum caps are provided to comply with the required legislation and should not be taken to indicate an intent to make payments at that level. The maximum caps are valid at the time that the relevant employment agreement or appointment letter is entered into and the caps may be adjusted to take into account fluctuations in exchange rates.

Remuneration policy table: executive directors

Component	Purpose and link to strategy	Maximum opportunity	Operation and performance measures
Salary and Fees	To provide fixed remuneration at an appropriate level, to attract and retain Directors as part of the overall compensation package.	The maximum annual base combined salary and fees for Executive Directors is €440,000 ¹ . The Remuneration Committee will consider the factors set out under the "Operation" column when determining the appropriate level of base salary within the formal Policy maximum.	Salary is paid on a monthly basis. The Remuneration Committee takes into account a number of factors when setting salaries including: <ul style="list-style-type: none"> > scope and difficulty of the role; > skills and experience of the individual; > salary levels for similar roles within the international industry; and > pay and conditions elsewhere in the Group. Salaries are reviewed on an annual basis, but are not necessarily increased at each review. No performance measures.

¹ Please note that the salary of the CEO for 2022 remain at €440,000.

Annual Report on Remuneration 2021

continued

Component	Purpose and link to strategy	Maximum opportunity	Operation and performance measures
Annual Bonus	To incentivise and reward the achievement of individual and business objectives which are key to the delivery of the Company's business strategy.	The maximum award is 125% of combined base salary and fees.	<p>The payment of any bonus is at the discretion of the Board with reference to the performance year.</p> <ul style="list-style-type: none"> > The Remuneration Committee sets, in advance, a scorecard with a set of Key Performance Indicators ("KPIs") aligned with the Company's strategy. The measures and the relative weightings are substantiated by the Remuneration Committee and aim to be stretching and to support the Company's business strategy. Measures are related to Company financial performance, operational performance and the Company's health and safety record. In general relative weightings of each KPI are expected not to exceed 50% and not to be less than 10%. > The Remuneration Committee retains the flexibility to determine and, if it considers appropriate, change the KPIs and weightings of the KPIs based on the outcome of its annual review. The Remuneration Committee may also adjust KPIs during the year to take account of material events, such as (without limitation) material corporate events, changes in responsibilities of an individual and/ or currency exchange rates. Any such changes will be within the overall target and maximum payouts approved in the policy. > The KPI targets and specific weightings in the scorecard are defined annually early in the year, once the budget has been approved. A summary of the KPI targets, weightings for the KPIs and how far the KPIs are met will be included retrospectively each year in the Implementation Report for the year. > All bonuses that may become payable are subject to malus and clawback provisions in the event of material financial misstatement of the Company or fraud or material misconduct on the part of the executive, as explained further below. > 50% of the bonuses that may become payable must be applied to subscribe for or acquire shares in the Company (after the deduction of any income tax and/ or employee social security contributions payable). The Company is proposing to adopt and operate a Deferred Bonus Plan as a framework plan for the delivery of shares to executives, which may be satisfied by the issue of new shares or transfer of existing or treasury shares. > The Remuneration Committee will determine whether the remainder of the bonus shall be paid in cash or must be applied to subscribe for or acquire shares (after the deduction of any income tax and/ or employee social security contributions payable). In making its determination as to how the remainder of the bonus shall be paid, the Remuneration Committee may take into account: profitability of the Company; the executive's shareholding as measured against any Company shareholding guidelines; potential liabilities of the recipients to income tax and social security contributions, among other things. Additional shares representing the value of dividends payable on the deferred shares may be paid. > The Remuneration Committee may impose holding periods of up to three years on any of the shares delivered pursuant to the annual bonus plan. > There are no prescribed minimum levels of performance in the annual bonus structure and so it is possible that no bonus award would be made.

Component	Purpose and link to strategy	Maximum opportunity	Operation and performance measures
Share Incentive Arrangements	To incentivise, retain and reward eligible employees and align their interests with those of the shareholders of the Company.	Awards can be made under the PSP with a value of up to a maximum of 200% of base salary and fees or 300% in exceptional circumstances.	<p>The Company has adopted and operates the 2018 Performance Share Plan ("PSP") to replace the 2008 Performance Share Plan. The PSP offers the opportunity to earn shares in the Company subject to the achievement of stretching but realistic performance conditions. Performance conditions will be a main feature of the PSP.</p> <p>The PSP will be administered by the Remuneration Committee.</p> <ul style="list-style-type: none"> > Awards can be made under the PSP at the direction of the Remuneration Committee within the policy maximum in the form of contingent share awards. > PSP awards will have a minimum vesting period of 3 years and, for Directors, the PSP awards have a further holding period of 2 years following the end of the vesting period (subject to any number of shares that may need to be sold to meet any income tax and employee social security contributions due on vesting). > The Remuneration Committee will develop clear KPIs that aim to align Directors with Company strategy over time periods in excess of one financial year. Any performance measures and targets used for share incentive awards during 2019 will be relevant and stretching in line with the overall strategy of the Company. > The Remuneration Committee may adjust or change the PSP measures, targets and weightings for new awards under the PSP to ensure continued alignment with Company strategy. > PSP awards are subject to malus and clawback in the event of material financial misstatement of the Company or fraud or material misconduct on the part of the executive. > Upon vesting of an award, the award holder must pay the nominal value in respect of each share that vests. > PSP Awards will normally lapse where the award holder ceases employment with the Company before vesting. PSP Awards will not lapse and will vest immediately if the award holder is considered to be a Good Leaver (leaves due to death or disability) subject to the Remuneration Committee being satisfied that performance conditions have been satisfied or are likely to be satisfied as at the end of the relevant performance period. In other circumstances, the Remuneration Committee may determine that awards will not lapse and will continue to vest at their normal vesting date, subject to pro-rata to reflect the period of service during the performance period and performance conditions. The Remuneration Committee has residuary discretions to disapply pro-rata and bring forward the date of vesting. > In the event of a change of control of the Company, if the acquiring company agrees, awards will be exchanged for equivalent awards over shares in the acquiring company and continue to vest according to the original vesting schedule. If the acquiring company does not agree to exchange the awards, the awards will vest at the Committee's absolute discretion. Awards that vest will be subject to time pro-rata and performance conditions. > Benefits under the PSP will not be pensionable. > The PSP Plan Limits are set out at Note 2.4 below.

Annual Report on Remuneration 2021

continued

Component	Purpose and link to strategy	Maximum opportunity	Operation and performance measures
Pension	To provide a retirement benefit that will foster loyalty and retain experienced Executive Directors.	Any pension benefits will be set at an appropriate level in line with market practice, and in no event will the contributions paid by the Company exceed 15% of combined base salary and fees.	No performance measures.
Benefits	To provide a market competitive level of benefits to Executive Directors.	Any benefits will be set at an appropriate level in line with market practice, and in no event will the value of the benefits exceed 15% of combined base salary and fees.	<ul style="list-style-type: none"> > The Executive Directors are entitled to private medical insurance and life assurance cover (of four times the combined salary and fee) and Directors' and officers' liability insurance. > The Remuneration Committee may decide to provide other benefits commensurate with the market. Such benefits may include (for instance) company car or allowance, physical examinations and medical support, professional advice, assistance with filling out tax returns and occasional minor benefits. A tax equalisation payment may be paid to an Executive Director if any part of the remuneration of the Executive Director becomes subject to double taxation. Tax gross ups may be paid, where appropriate. The Company does not, at present, provide other taxable benefits to the Executive Directors. > Executive Directors are reimbursed for reasonable business expenses incurred in the course of carrying out their duties. > No performance measures.

Notes to the executive directors' remuneration policy table

The Remuneration Committee's philosophy is that remuneration arrangements should be appropriately positioned to support the Group's business strategy over the longer term and the creation of value for shareholders. In this context the following key principles are considered to be important:

- > remuneration arrangements should align executive and employee interests with those of shareholders; and
- > remuneration arrangements should help retain key executives and employees; and
- > remuneration arrangements should incentivise executives to achieve short, medium and long-term business targets which represent value creation for shareholders. Targets should relate to the Group's performance in terms of overall revenue and profit and the executive's own performance. Exceptional rewards should only be delivered if there are exceptional returns.

The Remuneration Committee reserves the right to make any remuneration payments (including satisfying awards of variable remuneration) and payments for loss of office notwithstanding that they are not in line with the Policy set out above, where the terms of that payment were agreed before the Policy came into effect, or before the individual became a Director of the Company (provided the payment was not in consideration for the individual becoming a Director).

Performance measures and targets

(a) Annual Bonus

The performance measures for Executive Directors comprise of financial measures and business goals linked to the Company's strategy, which could include financial and non-financial measures. The business goals are tailored to reflect each Executive Director's role and responsibilities during the year. The performance measures are chosen to enable the Remuneration Committee to review the Company's and the individual's performance against the Company's business strategy and appropriately incentivise and reward the Executive Directors.

Annual bonus targets are set by the Remuneration Committee each year. They are stretching but realistic targets which reflect the most important areas of strategic focus for the Company. The factors taken into consideration when setting targets include the Company's Key Performance Indicators (which are determined annually by the Remuneration Committee), and the extent to which they are under the control or influence of the executive whose remuneration is being determined.

Performance is measured over the financial year against the measures and targets set according to the scorecard. The Remuneration Committee retains the right to exercise its judgement to adjust the bonus outcome for an individual to ensure the outcome reflects any other aspects of the Company's performance that become relevant during the financial year.

The Remuneration Committee used Company operational and financial performances and safety as performance measures for the 2020 scorecard. For years following 2020, the structure of the annual bonus scorecard is reviewed by the Remuneration Committee.

2021 Annual bonus scorecard measures for executive directors

40% weighting	50% weighting
Operational performance, such as production, sales, geographical diversification, and starting new projects.	Company financial performance, including cash targets and profit targets.
10% weighting	
Indicators of health and safety to promote the effective risk management of the Company.	

(b) Share Plans

The Remuneration Committee will make the vesting of a Plan award conditional upon the satisfaction of stretching but realistic performance conditions. These conditions are meant to achieve a long-term alignment of the executives' remuneration with the interest of the shareholders.

EBITDA growth, increase of P1 reserves (in millions boe), and changes to the free cash-flow are the key KPIs to be used by the Remuneration Committee and will be measured over time periods of three financial years. The performance measures are chosen to align the performance of participants with the attainment of financial performance targets over the vesting period of the award. The targets are set by the Remuneration Committee by reference to the Company's strategy and business plan and the results achieved at the time of the vest are determined by the Remuneration Committee.

Under the PSP plan rules, the Board may vary a performance target where it considers that any performance target to which an award is subject is no longer a true or fair measure of the participant's performance, provided that the Board must act fairly and reasonably and that the new performance target is materially no more difficult and no less difficult to satisfy than the original performance target.

Malus and clawback (applicable to bonuses and share awards)

The Remuneration Committee has the discretion to reduce the bonus before payment or require the Executive Director to pay back shares or a cash amount in the event of material financial misstatement of the Company or fraud or material misconduct on the part of the executive. The amount that may be clawed back on any such event is limited to the value of the bonus, taking into account the cash paid and the shares delivered to the executive, taking the value of the shares at the time of the clawback, less any income tax or employee social security contributions paid on the bonuses.

Share ownership guidelines for executives

The Remuneration Committee is planning to implement share ownership guidelines for Executive Directors to further align the interests of the Executive Directors with those of shareholders. The share ownership guidelines will include an expectation that Executive Directors build up their shareholding to 200% of base salary over a period of five years from the later of: the date of adoption of this policy and the date of appointment. Once the shareholding guideline is reached, Executive Directors would be expected to maintain it. The intention would be for the shareholding guideline to be reached through the retention of vested shares from share plans (e.g. the deferred share element of the annual bonus and shares vested under the PSP). As such, the Remuneration Committee's discretion may be used to increase the proportion of an annual bonus to be delivered in shares to assist the Executive Director in meeting this guideline. The deferred share mechanism in the annual bonus and the design of the PSP will assist Executive Directors in reaching the guidelines. Executive Directors will not be expected to top up their shareholding with personal acquisitions of Company shares outside the usual share plans described in the Policy. The Remuneration Committee will monitor the Executive Directors' shareholdings and may adjust the guideline in special individual and Company circumstances, for example in the case of a share price fall.

Annual Report on Remuneration 2021

continued

PSP Plan Limits

The PSP may operate over new issue shares, treasury shares or shares purchased in the market. In any ten-calendar year period, the Company may not issue (or grant rights to issue) more than:

- 10% of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and
- 5% of the issued ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of these limits unless institutional investors decide that they need not count. These limits do not include rights to shares which have been renounced, released, lapsed or otherwise become incapable of vesting, awards that the Remuneration Committee determines after grant to be satisfied by the transfer of existing shares and shares allocated to satisfy bonuses (including pursuant to the Deferred Bonus Plan).

Remuneration throughout the Group

Differences in the Company's pay policy for Executive Directors from that applying to employees within the Group generally reflect the appropriate market rate for the individual executive roles.

Remuneration policy table: Non-Executive Directors

Component	Purpose and link to strategy	Maximum opportunity	Operation and performance measures
Fees	To provide an appropriate reward to attract and retain high-calibre individuals with the relevant skills, knowledge and experience to progress the Company strategy.	The maximum annual fees paid to Non-Executive Directors is £50,000 for a Non-Executive Director role, and £100,000 for the role of Chairman. An additional £10,000 will be paid to the individual acting as Chairman of the Audit Committee.	<p>Non-Executive Directors receive a standard annual fee, which is paid on a quarterly basis in arrears.</p> <p>Additional fees may also be paid to recognise the additional work performed by members of any committees set up by the Board, and for the role of chair of a committee.</p> <p>Fees are reviewed on an annual basis, but are not necessarily increased at each review. Fees are set at a rate that takes into account:</p> <ul style="list-style-type: none"> > market practice for comparative roles; > the financial results of the Company; > the time commitment and duties involved; and > the requirement to attract and retain the quality of individuals required by the Company. <p>The remuneration of the Non-Executive Directors is a matter for the Board to consider and decide upon.</p> <p>There are no performance measures related to Non-Executive Directors' fees.</p>

Notes to the Policy Table

The payment policy for Non-Executive Directors is to pay a rate which will secure persons of a suitable calibre. The remuneration of the Non-Executive Directors is determined by the Board. External benchmarking data and specialist advisers are used when setting fees, which will be reviewed at appropriate intervals. The maximum caps are valid at the time that the relevant appointment letter is entered into and the caps may be adjusted to take into account fluctuations in exchange rates.

Expenses reasonably and wholly incurred in the performance of the role of Non-Executive Director of the Company may be reimbursed or paid for directly by the Company, as appropriate, and may include any tax due on the expense.

The Non-Executive Directors' fees are non-pensionable. The Non-Executive Directors have not to date been eligible to participate in any incentive plans (such as bonuses or share plans); however, the Board considers that it may be appropriate in the future to enable such participation, subject to suitably stretching performance thresholds.

Non-Executive Directors may receive professional advice in respect of their duties with the Company which will be paid for by the Company. They will be covered by the Company's insurance policy for Directors.

Recruitment

The Company's policy on the recruitment of Directors is to pay a fair remuneration package for the role being undertaken and the experience of the individual being recruited. The Remuneration Committee will consider all relevant factors, which include the abilities of the individual, their existing remuneration package, market practice, and the existing arrangements for the Company's current Directors.

The Remuneration Committee will determine that any arrangements offered are in the best interests of the Company and shareholders and will endeavour to pay no more than is necessary.

The Remuneration Committee intends that the components of remuneration set out in the policy tables, and the approach to the components as set out in the policy tables, will be equally applicable to new recruits, i.e. salary, annual bonus, share plan awards, pension and benefits for Executive Directors, and fees for Non-Executive Directors. However, the Company acknowledges that additional flexibility may be required to ensure the Company is in the best position to recruit the best candidate for any vacant roles and, as such, a buy-out arrangement may be required.

Flexibility

The salary and compensation package designed for a new recruit may be higher or lower than that applying for Existing Directors. The Remuneration Committee may decide to appoint a new Executive Director to the Board at a lower than typical salary, such that larger and more frequent salary increases may then be awarded over a period of time to reflect the individual's growth in experience within the role.

Remuneration will normally not exceed those set out in the policy table above. However, to ensure that the Company can sufficiently compete with its competitors, the Remuneration Committee considers it important that the recruitment policy has sufficient flexibility in order to attract and appropriately remunerate the high-performing individuals that the Company requires to achieve its strategy. As such, the Remuneration Committee reserves discretion to provide a buy-out arrangement and benefits (such as a sign-on bonus and additional share awards) in addition to those set out in the policy table (or mentioned in this section) where the Remuneration Committee considers it reasonable and necessary to do so in order to secure an external appointment (see below for more detail in relation to buy-out arrangements).

Buy-out arrangements

The Remuneration Committee retains the discretion to enter into buy-out arrangements to compensate new hires for incentive awards forfeited in joining the Company. The Remuneration Committee will use its discretion in awarding and setting any such compensation, which will be decided on a case-by-case basis and likely on an estimated like-for-like basis. In deciding the appropriate type and quantum of compensation to replace existing awards, the Remuneration Committee will take into account all relevant factors, including the type of award being forfeited, the likelihood of any performance measures attached to the forfeited award being met, and the proportion of the vesting period remaining. The Remuneration Committee will appropriately discount the compensation payable to take account of any uncertainties over the likely vesting of the forfeited award to ensure that the Company does not, in the view of the Remuneration Committee, pay in excess of what is reasonable or necessary.

Compensation for awards forfeited may take the form of a bonus payment or a share award. For the avoidance of doubt, the maximum amounts of compensation contained in the policy table will not apply to such buy-out arrangements. The Company has not placed a maximum value on the compensation that can be paid under this section, as it does not believe it would be in shareholders' interests to set any expectations for prospective candidates regarding such awards.

Payments for loss of office

Any compensation payable in the event that the employment of an Executive Director is terminated will be determined in accordance with the terms of the employment contract between the Company and the executive, as well as the relevant rules of any share plan and this Policy, and in accordance with the prevailing best practice.

The Remuneration Committee will consider a variety of factors when considering leaving arrangements for an Executive Director and exercising any discretions it has in this regard, including (but not limited to) individual and business performance during office, the reason for leaving, and any other relevant circumstances (for example, ill health).

In addition to any payment that the Remuneration Committee may decide to make, the Remuneration Committee reserves discretion as it considers appropriate to:

- pay an annual bonus for the year of departure;
- continue providing any benefits for a period of time; and
- provide outplacement services.

Non-Executive Directors are subject to one month notice periods prior to termination of service and are not entitled to any compensation on termination save for accrued fees as at the date of termination and reimbursement of any expenses properly incurred prior to that date.

Annual Report on Remuneration 2021

continued

Share plan awards

The treatment of any share award on termination will be governed by the PSP rules.

Under the PSP, outstanding share awards held by an individual who ceases to be a Director or employee of the Company will lapse, unless the cessation is due to death, illness, injury or disability, redundancy, retirement, the Company ceasing to be a member of the Group or the transfer of an undertaking or part of an undertaking to a person who is not a member of the Group, or the Board exercises its discretion otherwise.

Under the PSP, the Board has discretion to decide the period of time for which the award will continue, and whether any unvested award shall be treated as vesting on the date of cessation of employment or in accordance with the original vesting schedule, in both cases have regard to the extent to which the performance targets have been satisfied prior to the date of cessation.

For Executive Directors, the vesting period will be set by the Remuneration Committee with a minimum three-year period. The Remuneration Committee will (unless the vesting period is set as a period equal to or longer than five years) impose a holding period on shares (or awards) so that the executive is not able to sell the shares that the Executive Director acquires through the PSP until the fifth anniversary of the date of the award. The holding period will not apply to the number of shares equivalent in value to the amount required by the Company or the Executive Director to fund any income tax and employee social security contributions due on the vesting of the awards or otherwise in connection with the awards.

Executive director employment agreements

This section contains the key employment terms and conditions of the Executive Directors that could impact on their remuneration or loss of office payments.

The Company's policy on employment agreements is that Executive Directors' agreements should be terminable by either the Company or the Director on not more than six months' notice. The employment agreements contain provision for early termination, among other things, in the event of a breach by the executive but make no provision for any termination benefits except in the event of a change of control of the Company, where the executive becomes entitled to a lump sum equal to 24 months' base salary plus benefits plus (if any), bonus received on termination by the Company. The employment agreements contain restrictive covenants for a period of 12 months following termination of the agreement. Details of employment agreements in place as at the date of this report are set out below:

Director	Current agreement start date	Notice period
F Khallouf	15 November 2019	Six months

Directors' employment agreements are available for inspection at the Company's registered office in London.

Non-Executive Directors' letters of appointment

This section contains the key terms of the appointments of Non-Executive Directors that could impact on their remuneration.

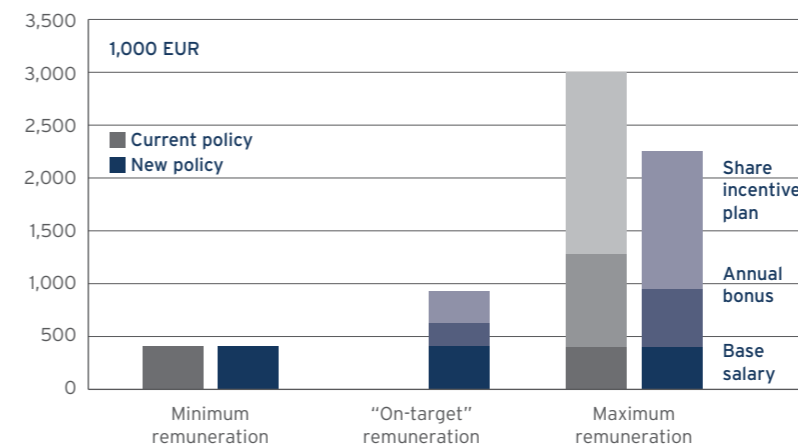
Typically, the Non-Executive Directors are appointed by letter of appointment for an initial term of three years which may be extended. All Non-Executive Directors are subject to annual re-election by the Company's shareholders and their appointments may be terminated earlier with one month's prior written notice (or with immediate effect, in the case of specific serious circumstances such as fraud or dishonesty). On termination of appointment, Non-Executive Directors are usually only entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date and the company has no obligation to pay further compensation when the appointment terminates. Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office in London and at Zhylyanska street 48/50, 01033 Kyiv, Ukraine.

Non-Executive Director	Current agreement start date	Term
Michel Meeùs	25 June 2021	Two years
Lilia Jolibois	15 November 2019	Three years
Jacques Mahaux	15 November 2019	Three years
Gilbert Lehmann	25 June 2021	Two years

Illustration of the Remuneration Policy

The bar charts below show the levels of remuneration that the CEO could earn over the coming year under the Policy.

CEO: minimum and maximum remuneration



Notes:

- The remuneration for an "on-target" scenario is purely illustrative as actual remuneration will depend on how challenging the target is for the relevant year as well as on the financial conditions of the Company
- The maximum award under the share incentive plan is 200% which can increase up to 300% (400% in the old policy) in exceptional circumstances

The bar chart shows future possible maximum remuneration.

Pension entitlements were provided in 2020.

Consideration of shareholder views

The Chairman and Executive Directors of the Company have a regular dialogue with analysts and substantial shareholders, which includes the subject of Directors' remuneration. The outcome of these discussions is reported to the Board and discussed in detail both there and during meetings of the Remuneration Committee.

The Remuneration Committee will take into account the results of the shareholder vote on remuneration matters when making future remuneration decisions. The Remuneration Committee remains mindful of shareholder views when evaluating and setting ongoing remuneration strategy.

Consideration of employment conditions within the Group

When determining remuneration levels for its Executive Directors, the Board considers the pay and employment conditions of employees across the Group. The Remuneration Committee will be mindful of average salary increases awarded across the Group when reviewing the remuneration packages of the Executive Directors.

Minor changes

The Remuneration Committee may make, without the need for shareholder approval, minor amendments to the Policy for regulatory, exchange control, tax or administrative purposes or to take account of changes in legislation.

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

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. The Directors are required by law to prepare the Group financial statements in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 and Article 4 of the International Accounting Standards ("IAS") regulation and have also elected to prepare the Parent Company financial statements under UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006. 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 and of the profit or loss for that period. In preparing the Company and Group's financial statements, IAS Regulation requires that Directors:

- > properly select and apply accounting policies;
- > make judgements and accounting estimates that are reasonable and prudent;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > state whether they have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- > provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's and Group's financial position and financial performance; and
- > make an assessment of the Company's and Group's ability to continue as a going concern, prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Annual Report on Remuneration, Directors' Remuneration Policy and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information and statements included on the Company's website, www.cadoganpetroleum.com. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Responsibility Statement of the Directors in respect of the Annual Report

We confirm to the best of our knowledge:

- i. the financial statements, prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- ii. the Annual Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- iii. the annual report and the financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

On behalf of the Board

Michel Meeùs
Chairman
28 April 2022

Independent Auditor's Report to the Members of Cadogan Petroleum plc

Qualified opinion

We have audited the financial statements of Cadogan Petroleum Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the company balance sheet, the company cash flow statement, the company statement of changes in equity and notes to the financial statements, including a summary of 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, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below:

- > the financial statements give a true and fair view of the assets, liabilities and financial position of the Group's and of the Parent Company as at 31 December 2021 and of the Group's financial performance and cash flow for the year then ended;
- > the Group and Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and Companies Act 2006; and
- > the Group financial statements have been prepared in accordance with, Article 4 of the IAS Regulation.

Basis for qualified opinion

In February 2019, the Group advanced a Euro 13,385,000 loan to Proger Managers & Partners Srl ("PMP"), a privately owned Italian company whose only interest is a 72.92% participation in Proger Ingegneria Srl ("Proger Ingegneria"), a privately owned company which held a 75.95% participating interest in Proger S.P.A ("Proger") at 31 December 2020. The loan carries an entitlement to interest at a rate of 5.5% per year, payable at maturity (which is 24 months after the execution date (February 2019) and assuming that the call option described below is not exercised). The principal of the loan is secured by a pledge over PMP's current participating interest in Proger Ingegneria Srl, up to a maximum guaranteed amount of Euro 13,385,000.

The Group was granted a call option to acquire, at its sole discretion, 33% of participating interest in Proger Ingegneria; the exercise of the option would have given Cadogan, through Cadogan Petroleum Holdings BV, an indirect 25% interest in Proger at 31 December 2020. The call option was granted at no additional cost and could be exercised at any time between the 6th (sixth) and 24th (twenty-fourth) months following the execution date of the loan agreement.

The call option was not exercised within the timeframe (February 2021) and then in accordance with the loan agreement the principal amount and any accrued interest became repayable in full. At this time the Group reclassified the asset from fair value through profit and loss to amortised cost.

In March 2021, PMP requested arbitration to have the loan agreement recognised as an equity investment contract. The arbitration process is ongoing however the investigation process is closed. The decision of the College of Arbitrators is expected in July 2022.

We considered the recoverability of the loan to be a key audit matter, and in respect of this matter we:

- > made inquiries of management and the Audit Committee regarding the structure of the transaction and reviewed the accounting entries;
- > reviewed the original loan documents including call option agreement;
- > we met with management to obtain an understanding of their assessment as to why they believe no impairment is required against the carrying value of the loan;
- > discussed with management their understanding of the current arbitrations proceedings and any information that they could relay to us from the confidential hearings;
- > had minimal contact with the Cadogan legal advisors due to the deemed confidential nature of the Arbitration process;
- > assessed the ability of the counterparty to repay the amounts due, based on available information, including the potential assessment of the value of the shares pledged as security;
- > reviewed the disclosures in relation to financial instruments including the accounting policy, critical judgments and estimates and financial instrument disclosures.

As noted above, given the ongoing arbitration process, we have not been able to obtain sufficient, appropriate audit evidence regarding the loan, and accordingly are not able to conclude whether the carrying value is materially accurate. In 2020, the predecessor auditor, was not able to obtain sufficient, appropriate audit evidence to conclude whether the fair value of the loan note instrument was materially accurate and as such we do not know what impact this has on the current year results. As a result, the audit opinion for the year ended 31 December 2020 was also qualified in respect of this limitation on the scope of the audit.

Independent Auditor's Report to the Members of Cadogan Petroleum plc *continued*

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 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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 qualified 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 the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- › Reviewing management's assessment of the impact of the ongoing War in Ukraine and its potential impact on production assets, revenue generation, availability of people and resources and various scenario planning in respect of same;
- › Reviewing management's cash flow forecasts for the period to April 2023 and evaluating the level of headroom available and the assumptions including, potential geopolitical impacts, oil production, oil prices, operating expenditure and capital expenditure. In doing so we compared production forecasts to historical trends and considered the oil price assumptions against consensus market prices and historical discount levels between Brent oil prices and the local market. We compared forecast costs with historical expenditure.
- › Reviewing licences for commitments to check these have been reflected in the cash flow forecasts.
- › Reviewing the disclosures in the financial statements in respect of going concern against the requirements of the standards.

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 and Parent 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.

Emphasis of Matter

We draw attention to the Report of the Directors and Note 29 to the financial statements which describes the ongoing War in Ukraine. The outcome, length, scale and extent of the War is unknown and as such its impact on the group cannot be predicted at the time of issuing the audit opinion. The Group continue to monitor any impact and have included various scenario planning in relation to the War in its cash flow projections. In view of the significance of this matter, we consider that it should be drawn to your attention. The ultimate outcome of this matter cannot presently be determined and the financial statements do not include any potential adjustment(s) that may be required arising out of alternative outcomes. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Group and Parent Company for the year ended December 31, 2020, were audited by BDO LLP who expressed a qualified opinion on those statements on May 5, 2021. The qualification related to the group advanced loan through a subsidiary which was recorded at fair value through profit loss and the predecessor auditor could not obtain sufficient, appropriate audit evidence to conclude on the fair value of the loan note instrument.

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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Basis for qualified opinion" section, which discusses the valuation of the loan, we have determined the matters described below to be the key audit matters to be communicated in our report:

- › Valuation of oil and gas exploration and production assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Whilst Cadogan Petroleum Plc is a company listed on the Standard Segment of the London Stock Exchange, the Group's operations principally comprise an exploration & development of oil and gas assets located in Ukraine, together with gas trading and oil services activities. We assessed there to be four significant components within the Ukrainian sub-group, comprising components holding exploration & development assets and gas trading activities which were subject to a full scope audit. Together with the Parent Company, Cadogan Petroleum Holdings Ltd, Cadogan Petroleum Holdings B.V. and the Group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group. The audits of each of the Ukrainian components were principally performed in the Ukraine by a Grant Thornton member firm under the supervision and direction of the Group audit team. The audits of the parent company, Cadogan Petroleum Holdings Ltd, Cadogan Petroleum Holdings B.V. and the Group consolidation were performed in Ireland by the Group audit team. The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group audit team or Grant Thornton member firm in Ukraine.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- › Detailed Group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were considered to be key audit matters as detailed below), and set out the information required to be reported to the Group audit team.
- › As a result of travel restrictions resulting from the Covid-19 pandemic or the ongoing War, the Group audit partner and senior members of the Group audit team were unable to visit the Ukraine to meet with component management and the component auditors during the audit. Accordingly, we performed a remote review of the component audit files in the Ukraine using appropriate technologies, held regular calls and video conferences with the component audit team and component management during the audit.
- › The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. We performed our own additional procedures in respect of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditor.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

	2021	2020
Overall group materiality	\$700,000	\$700,000
Basis for determining materiality	1.5% of total assets	
Rationale for the benchmark applied	We determined that an asset based measure is appropriate as the Group holds significant cash and loan balances and its principal activity is the exploration & development of oil and gas assets, such that the asset base is considered to be a key financial metric for users of the financial statements. We allocated group materiality to significant components dependent on the size and our assessment of the risk of material misstatement of that component.	
Performance materiality	\$420,000	\$460,000
Basis for determining performance materiality	60% of materiality having considered our review of the predecessor auditor's assessment of the risk of misstatements, business risks and fraud risks associated with the entity and its control environment, our expectations about misstatements and our understanding of the business and processes at the Group and Company. This is to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.	

Independent Auditor's Report to the Members of Cadogan Petroleum plc continued

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

The reporting threshold is set as the amount below which identified misstatements are considered as being clearly trivial. We agreed with the Board and the Audit Committee that we would report to them misstatements identified during our audit of amounts greater than 5% of materiality as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of oil and gas exploration and production assets</p> <p>At 31 December 2021 the Group held exploration and evaluation assets of \$nil and \$9.6m of development and production assets as detailed in note 4(a), 4(b),15 and 16.</p> <p>Management is required to assess these assets for indicators of impairment at each reporting date and perform an impairment test when indicators of impairment are identified.</p> <p>Management has performed an impairment review which included assessment of the Bitlyanska and Blazhivska licences' recoverable value.</p> <p>The impairment reviews require judgment and estimate in determining whether indicators of impairment exist and, in respect of the discounted cash flow models significant estimates in selecting inputs.</p> <p>In addition, the Bitlyanska licence following its expiry in December 2019 and delays in the licence being awarded and the subsequent rejection of the application in 2021 Management's conclusion that full impairment is applicable on the Bitlyanska licence.</p> <p>As a result of these factors this represented a key focus area for our audit and a key audit matter.</p>	<p>We evaluated management's impairment indicator review paper, together with the underlying discounted cash flow forecasts which formed part of their impairment review.</p> <p>We critically challenged the key judgments and assumptions made by management, including forecast oil prices, production levels and costs.</p> <p>We critically evaluated management's assumptions in calculating the discount rates and performed sensitivity analysis on the discount rate to identify the impact of reasonable fluctuations.</p> <p>We performed sensitivity analysis on the impairment models to establish the impact of reasonably possible changes in key variables such as pricing, production and the discount rates. We met with operational management to evaluate the basis for forecast decreases in production associated with well stimulation activities, considered the historical impact of such activities and evaluated the extent to which appropriate costs were included in the forecasts.</p> <p>We reviewed budgets, forecasts and strategic plans to consider the extent to which management's judgment regarding future planned exploration activity and the impact of the ongoing War in Ukraine is supported.</p> <p>We reviewed the licence agreements and confirmed that the Group holds a valid licence for Blazhivska which was renewed / converted to a production licence in December 2019 and is valid until 2039. We gained an understanding of the licence conditions and remaining term.</p> <p>In respect of the Bitlyanska licence, we considered the appropriateness of management's judgment that the Bitlyanska licence would have not been extended or converted to production licences following its expiry in December 2019, particularly noting the delays and the subsequent rejection of the application in 2020 and informal receipt of information in 2022 that the application to renew the licence has been rejected. Despite the recent ruling the Group will continue to pursue the licence.</p>

Key observations

We consider the judgements made by management in respect of the valuation of the exploration and production assets at Bitlyanska and Blazhivska to be reasonable. The disclosures in the notes, including the critical judgments regarding renewal of the Bitlyanska licence are in line with accounting standards.

Independent Auditor's Report to the Members of Cadogan Petroleum plc continued

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report therein. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Except for the possible effect of the matter described in the basis for the qualified opinion section we have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- Except for the possible effect of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the 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.

Except for any amendments that we may have considered necessary had we been able to obtain sufficient appropriate audit evidence in relation to the fair value of the loan receivable as described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and Parent 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.

Matters on which we are required to report by exception

Arising solely from the limitation on our work relating to the loan receivable described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance UK adopted international accounting standards, and for such internal control as Directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group and 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 management either intends to liquidate the group and company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group and company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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.

A further description of an auditor's 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.

Independent Auditor's Report to the Members of Cadogan Petroleum plc *continued*

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In response to these principal risks, our audit procedures included but were not limited to:

- › enquiries of management board, risk and compliance and legal functions and audit committee on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- › inspection of the group's regulatory and legal correspondence and review of minutes of board, Director's and audit committee meetings during the year to corroborate inquiries made;
- › gaining an understanding of the internal controls established to mitigate risk related to fraud;
- › discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- › identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- › designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- › assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur;
- › testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- › obtaining an understanding of management's procedures to evaluate the validity of supplier arrangements and identify and assess any unusual items;
- › performing a review of supplier contract arrangements across the Group, making inquiries regarding the nature and purpose of the arrangement and reviewing contracts for certain supplier arrangements;
- › performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- › challenging assumptions and judgements made by management in their significant accounting estimates, including impairment assessment of assets;
- › review of the financial statement disclosures to underlying supporting documentation and inquiries of management;
- › we requested information from component auditors on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the group financial statements;
- › directing the auditors of the significant components to ensure an assessment is performed on the extent of the components compliance with the relevant local and regulatory framework. Reviewing this work and holding meetings with relevant internal management and external third parties to form our own opinion on the extent of Group wide compliance; and
- › ensuring the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation and they were appropriately briefed on where the risk areas are.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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 by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.

Report on other legal and regulatory requirements

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 7 December 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is the first year we have been engaged to audit the financial statements of the company. The period of total uninterrupted engagement including renders reappointments of the firm is 1 year.

We have not provided non-audit services prohibited by the FRC's Ethical Standard and have remained independent of the entity in conducting the audit.

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

Cathal Kelly (Senior Statutory Auditor)

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Auditors
12-18 City Quay
Dublin 2,
Ireland

28 April 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
CONTINUING OPERATIONS			
Revenue	6	8,793	5,105
Cost of sales		(6,372)	(4,500)
Gross profit/(loss)		2,421	605
Administrative expenses	7	(3,712)	(3,771)
Impairment of gas and oil assets	15	(2,474)	-
Impairment of other assets	8	(994)	(53)
Reversal of impairment of other assets	8	20	644
Fair value (loss) on loan and call option	26	-	(334)
Other operating (loss), net	9	(18)	(71)
Net foreign exchange (losses)/gain		(1,591)	1,938
Operating loss		(6,348)	(1,042)
Finance income, net	12	1,250	40
Loss before tax		(5,098)	(1,002)
Taxation	13	-	-
Loss for the year		(5,098)	(1,002)
Attributable to:			
Owners of the Company		(5,070)	(996)
Non-controlling interest		(28)	(6)
		(5,098)	(1,002)
Loss per Ordinary share			
		cents	cents
Basic and diluted	14	(2.1)	(0.4)

The notes on pages 61 to 83 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Loss for the year	(5,098)	(1,002)
Other comprehensive profit		
Items that may be reclassified subsequently to profit or loss:		
Unrealised currency translation differences	466	(3,880)
Other comprehensive (loss)/profit	466	(3,880)
Total comprehensive (loss)/profit for the year	(4,632)	(4,882)
Attributable to:		
Owners of the Company	(4,604)	(4,876)
Non-controlling interest	(28)	(6)
	(4,632)	(4,882)

The notes on pages 61 to 83 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	15	-	2,381
Property, plant and equipment	16	9,598	9,963
Right-of-use assets	22	200	292
Deferred tax asset	21	431	419
		10,229	13,055
Current assets			
Inventories	18	177	2,156
Trade and other receivables	19	218	1,632
Loan receivable at amortised cost	26	16,724	-
Loan instrument classified at fair value through profit and loss	26	-	16,812
Cash	20	15,011	13,253
		32,130	33,853
Total assets		42,359	46,908
LIABILITIES			
Non-current liabilities			
Long-term lease liability	22	(104)	(195)
Provisions	24	(300)	(223)
		(404)	(418)
Current liabilities			
Trade and other payables	23	(1,479)	(1,387)
Short-term lease liability	22	(102)	(97)
		(1,581)	(1,484)
Total liabilities		(1,985)	(1,902)
NET ASSETS		40,374	45,006
EQUITY			
Share capital	25	13,832	13,832
Share premium		514	514
Retained earnings		185,893	190,963
Cumulative translation reserves		(161,689)	(162,155)
Other reserves		1,589	1,589
Equity attributable to owners of the Company		40,139	44,743
Non-controlling interest		235	263
TOTAL EQUITY		40,374	45,006

The consolidated financial statements of Cadogan Petroleum plc, registered in England and Wales no. 05718406, were approved by the Board of Directors and authorised for issue on 28 April 2022. They were signed on its behalf by:

Fady Khallouf
Chief Executive Officer
28 April 2022

The notes on pages 61 to 83 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
Operating profit/(loss)		(6,348)	(1,042)
Adjustments for:			
Depreciation of property, plant and equipment	16	889	734
Movement in fair value of loan and call option	26	-	334
Impairment of inventories	8	994	50
Impairment of receivables	8	-	3
Impairment of oil and gas assets	15	2,474	-
Reversal of impairment	8	(21)	(644)
Effect of foreign exchange rate changes		1,591	(1,938)
Operating cash flows before movements in working capital		(421)	(2,503)
Decrease in inventories		1,049	1,624
Decrease in receivables		1,526	930
(Increase)/decrease in payables		(28)	34
Cash generated by operations		2,126	85
Interest received		68	25
Net cash inflow/(outflow) from operating activities		2,194	110
Investing activities			
Purchases of property, plant and equipment		(150)	(279)
Purchases of intangible exploration and evaluation assets		(9)	(32)
Interest received		8	38
Net cash used in investing activities		(151)	(273)
Net decrease in cash			
Effect of foreign exchange rate changes		(285)	582
Cash at beginning of year		13,253	12,834
Cash at end of year		15,011	13,253

The notes on pages 61 to 83 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital \$'000	Share premium account \$'000	Retained earnings \$'000	Cumulative translation reserves \$'000	Other reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interest \$'000	Total \$'000
As at 1 January 2020	13,525	329	191,959	(158,275)	2,081	49,619	269	49,888
Net loss for the year	-	-	(996)	-	-	(996)	(6)	(1,002)
Other comprehensive loss	-	-	-	(3,880)	-	(3,880)	-	(3,880)
Total comprehensive loss for the year	-	-	(996)	(3,880)	-	(4,876)	(6)	(4,882)
Issue of ordinary shares for director bonus share awards	307	185	-	-	(492)	-	-	-
As at 1 January 2021	13,832	514	190,963	(162,155)	1,589	44,743	263	45,006
Net loss for the year	-	-	(5,070)	-	-	(5,070)	(28)	(5,098)
Other comprehensive loss	-	-	-	466	-	466	-	466
Total comprehensive loss for the year	-	-	(5,070)	466	-	(4,604)	(28)	(4,632)
As at 31 December 2021	13,832	514	185,893	(161,689)	1,589	40,139	235	40,374

The notes on pages 61 to 83 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. General information

Cadogan Petroleum plc (the "Company", together with its subsidiaries the "Group"), is registered in England and Wales under the Companies Act 2006. The address of the registered office is 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

The Group principal activity is oil and gas exploration, development and production; the Company also conducts gas trading and provides services.

The Company's shares have a standard listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange.

2. Adoption of new and revised Standards

New IFRS accounting standards, amendments and interpretations effective from 1 January 2021

The disclosed policies have been applied consistently by the Group for both the current and previous financial year with the exception of the new standards adopted.

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2020, except for the following:

- (a) Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16;
- (b) Covid-19-related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16.

The application of the above standards has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

New IFRS accounting standards, amendments and interpretations not yet effective

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

IFRS accounting standards	Effective periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16	01 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37	01 January 2022
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01 January 2023
IFRS 17, 'Insurance contracts'	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	has yet to be set by the Board
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	01 January 2023

3. Significant accounting policies

(a) Basis of accounting

The Group's financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (collectively "IFRS") applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared on the historical cost convention basis.

The principal accounting policies adopted are set out below:

(b) Going concern

The Group's cash balance at 31 December 2021 was \$15.0 million (2020: \$13.3 million). The Directors believe that the funds available at the date of the issue of these financial statements are sufficient for the Group to manage its business risks and planned investments successfully.

The Directors' have carried out a robust assessment of the principal risks facing the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

3. Significant accounting policies continued

(b) Going concern continued

The Group's forecasts and projections, taking into account reasonably possible changes in trading activities, operational performance, flow rates for commercial production and the price of hydrocarbons sold to Ukrainian customers, show that there are reasonable expectations that the Group will be able to operate on funds currently held and those generated internally, for the foreseeable future.

Notwithstanding the Group's current financial performance and position, the Board are cognisant of the actual impacts on the Group of Covid-19 and specifically the war situation in Ukraine. The Board has considered possible reverse stress case scenarios for the impact on the Group's operations, financial position and forecasts. Whilst the potential future impacts of Covid-19 and the invasion of Ukraine by Russia are unknown, the Board has considered operational disruption that may be caused by the factors such as a) restrictions applied by governments, illness amongst our workforce and disruption to supply chain and sales channels; b) market volatility in respect of commodity prices associated with Covid-19 in addition to military and geopolitical factors.

In addition to sensitivities that reflect future expectations regarding country, commodity price and currency risks that the Group may encounter reverse stress tests have been run to reflect possible negative effects of Covid-19 and war in Ukraine. The Group's forecasts demonstrate that owing to its cash resources the Group is able to meet its operating cash flow requirements and commitments whilst maintaining significant liquidity for a period of at least the next 12 months allowing for sustained reductions in commodity prices and extended and severe disruption to operations should such a scenario occur.

After making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis of accounting to be appropriate and, thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. IFRS 10 defines control to be investor control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to control those returns through its power over the investee. The results of subsidiaries disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(d) Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue is measured based on measurement principles of IFRS 15 and represents amounts receivable for hydrocarbon products and services provided in the normal course of business, net of value added tax ('VAT') and other sales-related taxes, excluding royalties on production. Royalties on production are recorded within cost of sales.

E&P and Trading business segments

The transfer of control of hydrocarbons usually coincides with title passing to the customer and the customer taking physical possession as the product passes a physical point such as a designated point in the pipeline for the sale of gas or loading point in the case of oil. The Group principally satisfies its performance obligations at a point in time.

To the extent that revenue arises from test production during an evaluation programme, an amount is credited to evaluation costs and charged to cost of sales, to reflect a zero-net margin.

3. Significant accounting policies continued

(d) Revenue recognition continued

Services business segment

Revenue from services is recognised in the accounting period in which services are rendered. The main types of services provided by the Group are drilling and civil works services. Revenue is recorded as the service is provided over time such as through day rates for supply of drill rigs, civil works and manpower.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(e) Foreign currencies

The functional currency of the Group's Ukrainian operations is Ukrainian Hryvnia. The functional currency of the Group's UK subsidiaries and the parent company is US Dollar.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each Group company ('foreign currencies') are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences on cash are recognised in operating profit or loss in the period in which they arise.

Exchange differences are recognised in the profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur. This forms part of the net investment in a foreign operation, which is recognised in the foreign currency translation reserve and in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the results and financial position of each entity of the Group, where the functional currency is not the US dollar, are translated into US dollars as follows:

- assets and liabilities of the Group's foreign operations are translated at the closing rate on the balance sheet date;
- income and expenses are translated at the average exchange rates for the period, where it approximates to actual rates. In other cases, if exchange rates fluctuate significantly during that period, the exchange rates at the date of the transactions are used; and
- all resulting exchange differences arising, if any, are recognised in other comprehensive income and accumulated equity (attributed to non-controlling interests as appropriate), transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The relevant exchange rates used were as follows:

	Year ended 31 December 2021			Year ended 31 December 2020		
	GBP/USD	EURO/USD	USD/UAH	GBP/USD	EURO/USD	USD/UAH
Closing rate	1.3514	1.1344	27.5776	1.3678	1.2217	28.3700
Average rate	1.3761	1.1847	27.5112	1.2843	1.1420	27.0034

(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

3. Significant accounting policies *continued*

(f) Taxation *continued*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

In case of the uncertainty of the tax treatment, the Group assesses, whether it is probable or not, that the tax treatment will be accepted, and to determine the value, the Group uses the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

(g) Other property, plant and equipment

Property, plant and equipment ('PP&E') are carried at cost less accumulated depreciation and any recognised impairment loss. Depreciation and amortization is charged so as to write-off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Other PP&E 10% to 30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(h) Intangible exploration and evaluation assets

The Group applies the modified full cost method of accounting for intangible exploration and evaluation ('E&E') expenditure, which complies with requirements set out in IFRS 6 Exploration for and Evaluation of Mineral Resources. Under the modified full cost method of accounting, expenditure made on exploring for and evaluating oil and gas properties is accumulated and initially capitalised as an intangible asset, by reference to appropriate cost centres being the appropriate oil or gas property. E&E assets are then assessed for impairment on a geographical cost pool basis, which are assessed at the level of individual licences.

E&E assets comprise costs of (i) E&E activities which are in progress at the balance sheet date, but where the existence of commercial reserves has yet to be determined (ii) E&E expenditure which, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as incurred.

Exploration and Evaluation costs

E&E expenditure is initially capitalised as an E&E asset. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are also capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment) are normally classified as PP&E. However, to the extent that such assets are consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of PP&E items utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E assets are not amortised prior to the conclusion of appraisal activities.

3. Significant accounting policies *continued*

(h) Intangible exploration and evaluation assets *continued*

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration property are carried forward, until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on individual assets basis as set out below and any impairment loss is recognised in the income statement. Upon approval of a development programme, the carrying value, after any impairment loss, of the relevant E&E assets is reclassified to the development and production assets within PP&E.

Intangible E&E assets which relate to E&E activities that are determined not to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost less accumulated amortization, subject to meeting a pool-wide impairment test in accordance with the accounting policy for impairment of E&E assets set out below.

Impairment of E&E assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to those situations outlined in paragraph 20 of IFRS 6 Exploration for and Evaluation of Mineral Resources such as, a) licence expiry during year or in the near future and will not likely be renewed; b) expenditure on E&E activity neither budgeted nor planned; c) commercial quantities of mineral resources have been discovered; and d) sufficient data exist to indicate that carrying amount of E&E asset is unlikely to be recovered in full from successful development or sale.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, which are not larger than an operating segment, they are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit.

The aggregate carrying value of the relevant assets is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves from that pool. Where the assets fall into an area that does not have an established pool or if there are no producing assets to cover the unsuccessful exploration and evaluation costs, those assets would fail the impairment test and be written off to the income statement in full.

Impairment losses are recognised in the income statement and are separately disclosed.

(i) Development and production assets

Development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial Reserves discovered and bringing them into production, together with E&E expenditures incurred in finding commercial Reserves transferred from intangible E&E assets.

The cost of development and production assets comprises the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognizing provisions for future restoration and decommissioning.

Depreciation of producing assets

Depreciation is calculated on the net book values of producing assets on a field-by-field basis using the unit of production method. The unit of production method refers to the ratio of production in the reporting year as a proportion of the Proved and Probable Reserves of the relevant field based on assessments of internal geologists utilising the most recent Competent Person Report and subsequent drilling and exploration, taking into account future development expenditures necessary to bring those Reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same Reserves for depreciation purposes, but are depreciated separately from producing assets that serve other Reserves.

(j) Impairment of development and production assets and other property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less cost to sell, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Such cash flows include relevant development expenditure that a market participant would reasonably be expected to undertake.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

3. Significant accounting policies *continued*

(j) Impairment of development and production assets and other property, plant and equipment *continued*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Inventories

Oil and gas stock and spare parts are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is allocated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(l) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Loan classified at fair value through profit and loss (applicable for 2020)

Loan instruments which include options to convert the instrument into equity are classified as fair value through profit and loss instruments because they do not meet the criteria for amortised cost measurement as they are not held for the collection of contractual cash flows representing solely payments of principal and interest. Such loan instruments are initially recorded at fair value which is typically the cash advanced under the instrument and subsequently recorded at fair value with changes in fair value recorded in the income statement. Transaction costs for loans classified at fair value through profit or loss are expensed in the income statement.

Loan classified at amortised cost (applicable for 2021)

Loan is measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassified. In accordance with IFRS 9, the loan is measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for the loan. Expected credit losses are assessed on a forward-looking basis. The loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. Any impairment is recognised in the income statement.

Trade and other payables

Payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are recognised initially at their transaction price in accordance with IFRS 9 and are subsequently measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Expected credit losses are assessed on a forward-looking basis. The loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. Any impairment is recognised in the income statement.

Cash

Cash comprise cash on hand and on demand deposits. Deposits are recorded as cash and cash equivalents when they have a maturity of less than 90 days at inception.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. Significant accounting policies *continued*

(n) Decommissioning

A provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognizing the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement on a unit of production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included within finance costs.

(o) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Service agreements for equipment on the working sites are not considered leases as, based upon an assessment of the terms and nature of their contractual arrangements, the contracts do not convey the right to control the use of an identified asset.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or the effect is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 the current and future periods.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

4. Critical accounting judgements and key sources of estimation uncertainty continued

Critical judgements and estimates

(a) Impairment indicator assessment for E&E assets

Cadogan has fully complied with legislative requirements and submitted its application for a 20-year exploration and production licence 5 months before its expiry on 23 December 2019. A decision on the award was expected to be provided by State Geological Service of Ukraine before 19 January 2020, since all other intermediary approvals had been secured in line with the applicable legislation requirements. Given the delay to granting of the new licence beyond the regular timeline provided by legislation in the Ukraine, Cadogan has launched a claim before the Administrative Court to challenge the non-granting of the 20-year production licence by the Licensing Authority.

In February 2022 the company received information from public register that its claim was rejected by the Court. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal.

The current geopolitical and military situation in Ukraine do not allow to make any grounded expectation on the legal process time frame and the Court of appeal decision. Considering this fact, Cadogan has fully impaired the Bitlyanska licence (note 15).

(b) Impairment of PP&E

Management assesses its development and production assets for impairment indicators and if indicators of impairment are identified performs an impairment test. Management performed an impairment assessment using a discounted cash flow model which required estimates including forecast oil prices, reserves and production, costs and discount rates (note 16).

(c) Recoverability and measurement of VAT

Judgment is required in assessing the recoverability of VAT assets and the extent to which historical impairment provisions remain appropriate, particularly noting the recent recoveries against historically impaired VAT. In forming this assessment, the Group considers the nature and age of the VAT, the likelihood of eligible future supplies to VAT, the pattern of recoveries and risks and uncertainties associated with the operating environment.

(d) Classification of the Loan instrument in 2020 and the Loan in 2021

In February 2019, the Group advanced a Euro 13,385,000 loan to Proger Managers & Partners Srl ("PMP"), a privately owned Italian company whose only interest is a 72.92% participation in Proger Ingegneria Srl ("Proger Ingegneria"), a privately owned company which held a 75.95% participating interest in Proger Spa ("Proger") at 31 December 2020. The loan carries an entitlement to interest at a rate of 5.5% per year, payable at maturity (which is 24 months after the execution date (February 2019) and assuming that the call option described below is not exercised). The principal of the loan is secured by a pledge over PMP's current participating interest in Proger Ingegneria Srl, up to a maximum guaranteed amount of Euro 13,385,000.

Through the Call Option Agreement, the Group was granted a call option to acquire, at its sole discretion, 33% of participating interest in Proger Ingegneria; the exercise of the option would have given Cadogan, through CPHBV, an indirect 25% interest in Proger at 31 December 2020. The call option was granted at no additional cost and could be exercised at any time between the 6th (sixth) and 24th (twenty-fourth) months following the execution date of the loan agreement and subject to Cadogan shareholders having approved the exercise of the call option as explained further below. Should CPHBV exercise the call option, the price for the purchase of the 33% participating interest in Proger Ingegneria shall be paid by setting off the corresponding amount due by PMP to CPHBV, by way of reimbursement of the principal, pursuant to the Loan Agreement. If the Call Option is exercised, then the obligation on PMP to pay interest is extinguished.

Management considered the extent to which the Option and rights to representation on the Board of Proger Ingegneria and Proger meant significant influence existed. The requirement to obtain shareholders' approval for any exercise of the option was considered to represent a substantive condition such that the option was not 'currently exercisable' under IFRS at 31 December 2020. In consequence, the potential voting rights associated with any subsequent exercise of the Option were not considered to contribute to significant influence over the investee.

In 2019 and 2020, under the Group's accounting policies, the instrument was held at fair value through profit and loss and determination of fair value required assessment of both key investee specific information regarding financial performance and prospects and market information. The determination of fair value was made at 31 December 2020 based on facts and circumstances at that date, notwithstanding that the borrower failed to repay the loan at maturity in 2021.

The Group's original investment decision involved assessment of Proger Spa business plans and analysis with professional advisers including valuations performed using the income method (discounted cash flows) and market approach using both the precedent transactions and trading multiples methods.

4. Critical accounting judgements and key sources of estimation uncertainty continued

(d) Classification of the Loan instrument in 2020 and the Loan in 2021 continued

Unfortunately, Proger refused to provide Cadogan information regarding its 2020 financial performance or updated forecasts to undertake a detailed fair value assessment using the income method or market approach at 31 December 2020. As a consequence, management assessed the fair value of the instrument based on the terms of the agreement, including the pledge over shares, together with financial information in respect of prior periods and determined that \$16.8 million represented the best estimate of fair value, being equal to anticipated receipts and timing thereof discounted at an estimated market rate of interest of 7.8%. In forming its assessment at 31 December 2020, management particularly considered the impact of any claim under the pledge and further litigation options on the underlying investee business and shareholders and resulting incentive that created for the borrower to ultimately meet the contractual payment obligation. Management further considered information relevant to Proger business and PMP's ability to pay, noting the absence of 2020 financial information. However, the absence of information regarding Proger's 2020 financial performance and prospects represented a significant limitation on the fair value exercise and, as a result, if received, the fair value could be materially higher or lower than this value.

Since the Call Option was not exercised before the Maturity Date and the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Loan provided was reclassified from 'Financial assets at fair value through profit and loss' to 'Financial assets at amortised cost' at the value carried at the Company balance at the date of the Call Option expiry.

(e) Well services and rental agreements

The Group's well rental arrangements in Ukraine for oil and gas extraction activities are outside of the scope of IFRS 16. Judgment was required in forming this assessment, based on analysis of the scope of IFRS 16 and the nature of the well rental arrangements. This assessment focused on the extent to which the rental agreements provided access to sub-surface well structures to extract hydrocarbons versus surface level infrastructure for the transport and processing of extracted hydrocarbons.

(f) Contingent liabilities

Judgment has been applied in assessing the likelihood of financial loss in respect of the ongoing litigation in respect of VAT and tax losses detailed in note 27. In forming the conclusion no provision is required management considered the findings of the first and second instance courts, although the matter remains subject to appeal.

(g) Deferred tax assets

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

5. Segment information

Segment information is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports provided to the Group's chief operating decision maker ("CODM"). The Group has identified its senior management team as its CODM and the internal reports used by the senior management team to oversee operations and make decisions on allocating resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Segment information is analysed on the basis of the type of activity, products sold, or services provided. The majority of the Group's operations and all Group's revenues are located within Ukraine. Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Exploration and Production

- > E&P activities on the exploration and production licences for natural gas, oil and condensate.

Service

- > Drilling services to exploration and production companies; and
- > Civil works services to exploration and production companies.

Trading

- > Import of natural gas from European countries; and
- > Local purchase and sales of natural gas operations with physical delivery of natural gas.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. Segment information continued

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Sales between segments are carried out at rates considered to approximate market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses. Unallocated corporate expenses include management remuneration, representative expenses and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

As of 31 December 2021 and for the year then ended the Group's segmental information was as follows:

	Exploration and Production \$'000	Services ⁽²⁾ \$'000	Trading \$'000	Consolidated \$'000
Sales of hydrocarbons	7,017	-	1,769	8,786
Other revenue	-	7	-	7
Sales between segments	-	-	-	-
Total revenue	7,017	7	1,769	8,793
Cost of sales	(5,262)	(6)	(1,104)	(6,372)
Administrative expenses	(428)	(59)	(145)	(632)
Other operating costs	(35)	-	-	(35)
Impairment of other assets, net	(974)	-	-	(974)
Impairment of oil and gas assets	(2,474)	-	-	(2,474)
Finance income ⁽¹⁾	-	-	68	68
Segment results	(2,156)	(58)	588	(1,626)
Unallocated administrative expenses				(3,080)
Other income, net ⁽³⁾				1,199
Net foreign exchange gain				(1,591)
Loss before tax				(5,098)

1 Net finance income includes \$68 thousand of interest on cash deposits used for trading.

2 The services business segment in 2021 primarily provided well workovers and other works to other Group companies.

3 Includes interest on loan of \$1,225 thousand.

As of 31 December 2020 and for the year then ended the Group's segmental information was as follows:

	Exploration and Production \$'000	Service ⁽⁵⁾ \$'000	Trading \$'000	Consolidated \$'000
Sales of hydrocarbons	3,457	-	1,643	5,100
Other revenue	-	5	-	5
Sales between segments	-	-	-	-
Total revenue	3,457	5	1,643	5,105
Cost of sales	(3,033)	(7)	(1,460)	(4,500)
Administrative expenses	(509)	(53)	(135)	(697)
Other operating costs	(55)	-	-	(55)
Impairment of other assets	(53)	-	-	(53)
Reversal of impairment of VAT recoverable	74	-	570	644
Finance income, net ⁽⁴⁾	-	-	25	25
Segment results	(119)	(55)	643	469
Unallocated administrative expenses	-	-	-	(3,074)
Other income, net ⁽⁶⁾	-	-	-	(335)
Net foreign exchange loss	-	-	-	1,938
Loss before tax	-	-	-	(1,002)

(4) Net finance income includes \$25 thousand of interest on cash deposits used for trading.

(5) The services business segment in 2020 primarily provided well workovers and other works to other Group companies.

(6) Includes decrease in FVPL of \$334 thousand.

6. Revenue

	2021 \$'000	2020 \$'000
Sale of hydrocarbons (exploration and production) - point in time	7,017	3,457
Sale of hydrocarbons (trading) - point in time	1,769	1,643
Service revenues - over time	7	5
	8,793	5,105

Revenue is generated in the Ukraine. Refer to note 3 (f) for details of the performance obligations. Service revenue and associated contract assets and liabilities are immaterial.

Information about major customers

Included in revenues arising from the Trading segment for the year ended 31 December 2021 are revenues of \$1.8 million, which arose from sales to the Group's four customers.

65% of exploration and production business segment revenue arose from sales to four largest customers. Each of them contributed for more than 10% of the total revenue of the exploration and production business segment revenue for the year ended 31 December 2021.

In 2020, Trading segment revenue for the year ended 31 December 2020 of \$1.6 million arose from sales to the Group's four customers. Each of them contributed for more than 10% of the total revenue of the exploration and production business segment revenue for the year ended 31 December 2020.

7. Administrative expenses

	2021 \$'000	2020 \$'000
Staff	1,897	1,982
Professional fees	827	895
Insurance	350	183
Office costs including utilities and maintenance	73	170
IT and communication	68	81
Bank charges	43	40
Travel	29	25
Other	425	395
	3,712	3,771

8. Reversal of impairment/(impairment) of inventory and other assets

	2021 \$'000	2020 \$'000
VAT recoverable	-	644
Other receivables	20	-
Reversal of impairment of other assets	20	644

In 2020, \$0.6 million of provision against VAT has been released in respect of input VAT historically impaired that has been offset against output VAT.

\$1.5 million (2020: \$1.5 million) of historical VAT receivables remain impaired. Refer to Note 4.

	2021 \$'000	2020 \$'000
Inventories	(994)	(50)
Other receivables	-	(3)
VAT recoverable	-	-
Impairment of inventory and other assets	(994)	(53)

Impairment totalled \$1 million (2020: \$53 thousand) includes impairment of inventories.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

9. Other operating expenses, net

	2021 \$'000	2020 \$'000
Other expenses	(18)	(71)
	(18)	(71)

For the details on disposal of subsidiaries please refer to Note 17.

10. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021 \$'000	2020 \$'000
Audit fees		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	156	157
Fees payable to the Company's auditor and their associates for other services to the Group:		
- The audit of the Company's subsidiaries	8	8
Total audit fees	164	165
Non-audit fees		
- Review of regulatory communications	-	5
Non-audit fees	-	5

Audit fees for 2021 refer to Grant Thornton of \$164 thousand for the audit of group accounts and subsidiaries as of and for the year ended 31 December 2021.

11. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2021 Number	2020 Number
Executive Directors	1	1
Other employees	77	79
	78	80
Total number of employees at 31 December	78	80
	\$'000	\$'000
Their aggregate remuneration comprised:		
Wages and salaries	1,671	1,689
Social security costs	307	356
Annual bonus	-	131
Charge for bonus granted in shares	-	-
	1,978	2,176

12. Finance income/(costs), net

	2021 \$'000	2020 \$'000
Interest on loan (note 26)	1,225	-
Interest income on cash deposits in Ukraine	68	25
Investment revenue	8	37
Total interest income on financial assets	1,301	62
Interest on lease	(28)	-
Unwinding of discount on decommissioning provision (note 24)	(23)	(22)
	1,250	40

13. Tax

	2021 \$'000	2020 \$'000
Current tax	-	-
Deferred tax	-	-
	-	-

The Group's operations are conducted primarily outside the UK, namely in Ukraine. The most appropriate tax rate for the Group is therefore considered to be 18 % (2020: 18%), the rate of profit tax in Ukraine, which is the primary source of revenue for the Group. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2021 \$'000	2021 %	2020 \$'000	2020 %
Loss before tax	(5,098)	100	(1,002)	100
Tax credit at Ukraine corporation tax rate of 18% (2020: 18%)	(918)	18	(180)	18
Permanent differences	(920)	20	(829)	83
Unrecognised tax losses generated in the year	1,969	(41)	1,125	(112)
Effect of different tax rates	(131)	3	(116)	11
	-	-	-	-
Adjustments recognised in the current year in relation with the current tax of prior years	-	-	-	-
Income tax benefit/(expense) recognised in profit or loss	-	-	-	-

Permanent differences mostly represent items, including provisions, accruals and impairments related to taxation in Ukraine, these are items not deductible in tax computations.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

14. Loss per Ordinary share

Basic loss per Ordinary share is calculated by dividing the net loss for the year attributable to owners of the Company by the weighted average number of Ordinary shares outstanding during the year. The calculation of the basic loss per share is based on the following data:

	2021 \$'000	2020 \$'000
Loss attributable to owners of the Company		
Loss for the purposes of basic loss per share being net loss attributable to owners of the Company	(5,070)	(996)

	Number '000	Number '000
Number of shares		
Weighted average number of Ordinary shares used in calculation of earnings per share:		
Basic	244,128	240,628
Diluted	244,128	244,128

	Cent	Cent
Loss per Ordinary share		
Basic and diluted	(2.1)	(0.4)

In 2021 and 2020 the Group generated a loss and therefore there is no difference between basic and diluted EPS.

15. Intangible exploration and evaluation assets

Cost	\$'000
At 1 January 2020	19,518
Additions	32
Disposals	(127)
Change in estimate of decommissioning assets (note 24)	(12)
Exchange differences	(3,200)
At 1 January 2021	16,211
Additions	-
Disposals	-
Change in estimate of decommissioning assets (note 24)	25
Exchange differences	465
At 31 December 2021	16,701
Impairment	
At 1 January 2020	16,547
Disposals	-
Exchange differences	(2,717)
At 1 January 2021	13,830
Disposals	2,474
Exchange differences	397
At 31 December 2021	16,701
Carrying amount	
At 31 December 2021	-
At 31 December 2020	2,381

The carrying amount of E&E assets at 31 December 2021 relates to the Bitlyanska licence.

Cadogan has fully complied with legislative requirements and submitted its application for a 20-year exploration and production licence 5 months before its expiry on 23 December 2019. A decision on the award was expected to be provided by State Geological Service of Ukraine before 19 January 2020, since all other intermediary approvals had been secured in line with the applicable legislation requirements. Given the delay to granting of the new licence beyond the regular timeline provided by legislation in the Ukraine, Cadogan has launched a claim before the Administrative Court to challenge the non-granting of the 20-year production licence by the Licensing Authority.

15. Intangible exploration and evaluation assets *continued*

In February 2022 the company received information from public register that its claim was rejected by the Court. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal.

The current geopolitical and military situation in Ukraine do not allow to make any grounded expectation on the legal process time frame and the Court of appeal decision. Considering this fact, Cadogan has fully impaired the Bitlyanska licence.

16. Property, plant and equipment

Cost	Development and production assets \$'000	Other \$'000	Total \$'000
At 1 January 2020	16,512	3,246	19,758
Additions	259	147	406
Change in estimate of decommissioning assets (note 24)	(30)	-	(30)
Exchange differences	(2,723)	(540)	(3,263)
At 1 January 2021	14,018	2,853	16,871
Additions	127	23	150
Change in estimate of decommissioning assets (note 24)	22	-	22
Disposal	(2)	(27)	(29)
Exchange differences	402	81	483
At 31 December 2021	14,567	2,930	17,497
Accumulated depreciation and impairment			
At 1 January 2020	4,705	2,715	7,420
Charge for the year	595	139	734
Exchange differences	(801)	(445)	(1,246)
At 1 January 2021	4,499	2,409	6,908
Charge for the year	647	150	797
Disposal	-	(2)	(2)
Exchange differences	127	69	196
At 31 December 2021	5,273	2,626	7,899
Carrying amount			
At 31 December 2021	9,294	304	9,598
At 31 December 2020	9,519	444	9,963

Other property, plant and equipment include fixtures and fittings for the development and production activities.

The carrying amount of development and production assets at 31 December 2021 of \$9.3 million relates to the Blazhiv licence. Depreciation includes \$0.7 million for the Blazhiv licence.

Management has performed an impairment review of Development and production assets. As part of the information considered management carried out the assessment of the Blazhivska licence's recoverable amount based on the underlying discounted cash flow forecasts. The impairment review supported the conclusion that no impairment was applicable. Key assumptions used in the impairment assessment were: future oil prices which were assumed at a constant \$401 (2020: \$297), real per tonne; a production forecast with a natural decline; estimated reserves and a discount rate of 15%, nominal.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

16. Property, plant and equipment continued

Sensitivity analysis for the Blazhiv licence

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions to reach break-even has been provided below:

Change in the assumptions to be break even

Oil price	(34%)
Oil production volumes	(28%)
Discount rate	133%

17. Subsidiaries

The Company had investments in the following subsidiary undertakings at 31 December 2021:

Name	Country of incorporation and operation	Proportion of voting interest %	Activity	Registered office	Temporary differences \$'000
Directly held					
Cadogan Petroleum Holdings Ltd	UK	100	Holding company	6th Floor 60 Gracechurch Street, London, EC3V 0HR, United Kingdom	501
Indirectly held					
Cadogan Petroleum Holdings BV	Netherlands	100	Holding company	Hoogoorddreef 15, 1101 BA Amsterdam	-
Cadogan Bitlyanske BV	Netherlands	100	Holding company	Hoogoorddreef 15, 1101 BA Amsterdam	(82)
Zagoryanska Petroleum BV	Netherlands	100	Holding company	Hoogoorddreef 15, 1101 BA Amsterdam	419
LLC Cadogan Ukraine	Ukraine	100	Holding company	48/50a, Zhlyyanska Street, Kyiv, Ukraine	-
LLC Astro Gas	Ukraine	100	Exploration	5a, Pogrebnyak Street, ap. 2, Zinkiv, Poltava region, Ukraine, 38100	12
LLC Astroinvest-Energy	Ukraine	100	Trading	5a, Pogrebnyak Street, ap. 2, Zinkiv, Poltava region, Ukraine, 38100	431
DP USENCO Ukraine	Ukraine	100	Production	8, Mitskevycha sq., Lviv, Ukraine, 79000	
LLC USENCO Nadra	Ukraine	95	Production	9a, Karpenka-Karoho str., Sambir, Lviv region, Ukraine	
LLC Astro-Service	Ukraine	100	Service Company	3 Petro Kozlaniuk str, Kolomyia, Ukraine	
Exploenergy s.r.l.	Italy	90	Exploration	Via Triulziana 16c, San Donato Milanese Milano, CAP 20097, Italy	

During the year ended 31 December 2021, the Group's structure continued to be rationalised both to reduce the number of legal entities and to replace the structure of multiple jurisdictions with one based on a series of sub-holding companies incorporated in the Netherlands for each licence area. In December 2021, the Group sold Ramet Holding Ltd which holds 79.9% of OJSC AgroNaftoGasTech-Service for nominal consideration. Investments into Ramet Holdings Ltd had been impaired in the past reporting periods.

18. Inventories

	2021 \$'000	2020 \$'000
Natural gas	-	1,825
Other inventories	1,700	1,607
Impairment provision	(1,523)	(1,276)
Carrying amount	177	2,156

The impairment provision at 31 December 2021 and 2020 is made so as to reduce the carrying value of the inventories to the net realizable value.

19. Trade and other receivables

	2021 \$'000	2020 \$'000
VAT recoverable	64	1,500
Other receivables	154	132
	218	1,632

The Group considers that the carrying amount of receivables approximates their fair value.

19. Trade and other receivables continued

VAT recoverable is presented net of the cumulative provision of \$1.3 million (2020: \$1.5 million) against Ukrainian VAT receivable that has been recognised as at 31 December 2021. VAT recoverable relates to the oil production and gas trading operations and is expected to be recovered through the gas and oil sales VAT.

20. Notes supporting statement of cash flows

Cash at 31 December 2021 of \$15.0 million (2020: \$13.3 million) comprise cash held by the Group. The Directors consider that the carrying amount of these assets approximates to their fair value. There were no cash transactions from financing activities for the year 2021.

21. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	2021 \$'000	2020 \$'000
Asset at 1 January 2020	501	
Deferred tax benefit	-	
Exchange differences	(82)	
Asset at 1 January 2021	419	
Deferred tax benefit	-	
Exchange differences	12	
Asset at 31 December 2021	431	
At 31 December 2021, the Group had the following unused tax losses available for offset against future taxable profits:		
	2021 \$'000	2020 \$'000
UK	19,949	56,437
Ukraine	50,782	49,364
	70,731	105,801

Deferred tax assets have been recognised in respect of those tax losses where there is sufficient certainty that profit will be available in future periods against which they can be utilised. The Group's unused tax losses of \$19.9 million (2020: \$56.4 million) relating to losses incurred in the UK are available to shelter future non-trading profits arising within the Company. These losses are not subject to a time restriction on expiry. No deferred tax asset is recorded.

Unused tax losses incurred by Ukraine subsidiaries amount to \$50.8 million (2020: \$49.4 million). Under general tax law provisions, these losses may be carried forward indefinitely to be offset against any type of taxable income arising from the same company. Tax losses may not be surrendered from one Ukraine subsidiary to another. The deferred tax asset recorded is expected to be utilised based on forecasts and relates to oil production subsidiaries which are generating taxable profits in the foreseeable future.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

22. Lease liabilities

The Group recognised right-of-use assets and lease liabilities based on rental contract for a rent of Kyiv office with maturity date end of February 2024. The Group initially recognised right-of-use assets of \$292 thousand as of 31 December 2020. Right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation of \$92 thousand is recognised for the year 2021 and represented as a part of other administrative expenses. Carrying value of right-of-use assets is \$200 thousand as of 31 December 2021.

The following table sets out a maturity analysis of lease liability, showing the undiscounted lease payments to be paid after the reporting date.

	2021 \$'000	2020 \$'000
Year 1	-	106
Year 2	110	110
Year 3	118	118
Year 4	20	20
Less: unearned interest	(42)	(62)
Lease liabilities	206	292
	2021 \$'000	2020 \$'000
Analysed as:		
Current	102	97
Non-current	104	195
Lease liabilities	206	292

23. Trade and other payables

	2021 \$'000	2020 \$'000
Accruals	194	213
Trade creditors	498	605
Other payables	787	569
	1,479	1,387

Trade creditors and accruals principally comprise amounts outstanding for ongoing costs. The average credit period taken for trade purchases is 29 days (2020: 30 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Other payables include unused vacation reserve provision of \$0.34 million (2020: \$0.28 million), subsoil tax payables of \$0.35 million (2020: \$0.17) and other payables of \$0.1 million (2020: \$0.12).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on outstanding balances.

24. Provisions

The provisions at 31 December 2021 comprise of \$0.3 million (2020: \$0.2 million) of decommissioning provision.

	\$'000
Decommissioning	\$'000
At 1 January 2020	289
Change in estimate (note 15 and 16)	(42)
Additional provisions recognised in the period	-
Utilization of provision on impaired oil and gas assets	-
Unwinding of discount on decommissioning provision (note 12)	22
Exchange differences	(46)
At 1 January 2021	223
Change in estimate (note 15 and 16)	25
Additional provisions recognised in the period	-
Utilization of provision on impaired oil and gas assets	-
Unwinding of discount on decommissioning provision (note 12)	22
Exchange differences	30
At 31 December 2021	300
At 1 January 2020	289
Non-current	223
Current	-
At 1 January 2021	223
Non-current	300
Current	-
At 31 December 2021	300

In accordance with the Group's environmental policy and applicable legal requirements as of 31 December 2021, the Group intends to restore the sites it is working on after completing exploration or development activities.

A long-term provision of \$0.3 million (2020: \$0.2 million) has been made for decommissioning costs, which are expected to be incurred at the end of the licences period as a result of the demobilization of gas and oil facilities and respective site restoration.

25. Share capital

	2021		2020	
	Number ('000)	\$'000	Number ('000)	\$'000
Authorised and issued equity share capital				
Authorised				
Ordinary shares of £0.03 each	1,000,000	57,713	1,000,000	57,713
Issued				
Ordinary shares of £0.03 each	244,128	13,832	244,128	13,832

Authorised but unissued share capital of £30 million has been translated into US dollars at the historic exchange rate of the issued share capital. The Company has one class of Ordinary shares, which carry no right to fixed income.

Issued equity share capital

	Ordinary shares of £0.03 Number
At 31 December 2019	235,729,322
Issued during year	8,399,165
At 31 December 2020	244,128,487
Issued during year	-
At 31 December 2021	244,128,487

Mr Khallouf was appointed as Chief Executive Officer on 15 November 2019. As part of Mr Khallouf's employment agreement, a welcome bonus equivalent in value to 5,500,000 ordinary shares (using the market value of the shares on the business day prior to the date of issue) is payable to Mr Khallouf and a holding period of two years is applicable to the shares acquired. Pursuant to the terms of the bonus, the amount must be subscribed for ordinary shares in the Company at such time as the executive agrees. The welcome bonus was provided to Mr Khallouf in May 2020.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

26. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to shareholders.

The capital resources of the Group consist of cash arising from equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Categories of financial instruments

	2021 \$'000	2020 \$'000
Financial assets (includes cash)		
Loan provided at amortised cost	16,724	-
Loan instrument provided at FVTPL	-	16,812
Cash - amortised cost	15,011	13,253
Other receivables - amortised cost	154	132
	31,889	30,197
Financial liabilities - measured at amortised cost		
Trade creditors	498	605
Lease liabilities	206	292
Accruals	194	213
Other payables	787	569
	1,685	1,679

Refer to note 4(d) for details of the terms of the Proger loan recorded as a financial asset at fair value through profit and loss. The instrument was recorded at management's best estimate of fair value as set out in note 4(d) although management had not been able to undertake a valuation exercise under the income method based on Proger's underlying cash flows or market-based method which would incorporate relevant recent financial information on the investee or its prospects.

Financial assets at fair value through profit and loss

	\$'000
As at 1 January 2019	-
Long-term loans provided	15,246
Movement in FVPL	697
Exchange differences	(236)
As at 1 January 2020	15,707
Movement in FVPL	(334)
Exchange differences	1,439
As at 31 December 2020	16,812

The Group has applied a level 3 valuation under IFRS as inputs to the valuation have included assessment of the cash repayments anticipated under the loan terms at maturity, delayed by the arbitration process requested by PMP (the Borrower), historical financial information for the periods prior to 2020 and assessment of the security provided by the pledge over shares together with the impact of the Covid-19 on the activity of Proger. As a result, \$ 16.8 million was determined as the best estimate of fair value as at 31 December 2020, being equal to anticipated receipts and timing thereof discounted at an estimated market rate of interest of 7.8%.

In February 2021, Cadogan notified PMP that according to the Loan Agreement, the Maturity Date occurred on 25 February 2021. As the Call Option was not exercised, PMP must fulfil the payment of EUR 14,857,350, being the reimbursement of the Loan in terms of principal and the accumulated interest. PMP is in default since 25 February 2021. In case of default payment, the terms of the agreement provide for the application of an increased interest rate on the amount of the debt.

Since the Call Option was not exercised before the Maturity Date and the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Loan provided was reclassified from 'Financial assets at fair value through profit and loss' to 'Financial assets at amortised cost'.

26 Financial instruments *continued*

	Financial assets at fair value through profit and loss \$'000	Financial assets at amortised cost \$'000
As at 1 January 2021	16,812	-
Reclassification from FVPL to AC	(16,812)	16,812
Addition	-	1,225
Exchange differences	-	(1,313)
As at 31 December 2021	-	16,724

The Group considers that the carrying amount of financial instruments approximates their fair value.

Financial risk management objectives

Management coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group in Ukraine through internal risks reports, which analyse exposures by degree and magnitude of risks. These risks include commodity price risks, foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Audit Committee of the Board reviews and monitors risks faced by the Group at meetings held throughout the year.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group is not exposed to interest rate risk because entities of the Group borrow funds at fixed interest rates.

Commodity price risk

The commodity price risk related to Ukrainian gas and condensate prices and prices for crude oil are the Group's most significant market risk exposures. World prices for gas and crude oil are characterised by significant fluctuations that are determined by the global balance of supply and demand and worldwide political developments, including actions taken by the Organisation of Petroleum Exporting Countries.

These fluctuations may have a significant effect on the Group's revenues and operating profits going forward. In 2020 the price for Ukrainian gas significantly decreased and was mainly based on the current price of the European gas imports. Management continues to expect that the Group's principal market for gas will be the Ukrainian domestic market.

The Group does not hedge market risk resulting from fluctuations in gas, condensate and oil prices, and holds no financial instruments, which are sensitive to commodity price risk.

Foreign exchange risk and foreign currency risk management

The Company holds a large portion of its monetary assets in the US Dollars and Euro, mitigating the exchange risk between the US Dollars and Euro and monetary liability in the US Dollars.

Sensitivity analysis is represented below based on 10% exchange rate deviation:

	As at 31 December 2021 \$'000	Change in EURO/USD	
		+10%	(10%)
Cash position	15,010	334	(334)
Loan receivable at amortised cost	16,724	1,672	(1,672)
Net assets	40,347	2,006	(2,006)

Inflation risk management

Inflation in Ukraine and in the international market for oil and gas may affect the Group's cost for equipment and supplies. The Directors will proceed with the Group's practices of keeping deposits in US dollar accounts until funds are needed and selling its production in the spot market to enable the Group to manage the risk of inflation.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. Credit risk with respect to receivables and advances is mitigated by active and continuous monitoring the credit quality of its counterparties through internal reviews and assessment. There was no material past due receivables as at year end.

The Group makes allowances for expected credit losses on receivables in accordance with its accounting policy.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2021

26 Financial instruments *continued*

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings, assigned by international credit-rating agencies in the UK and Ukraine respectively.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

The following tables sets out details of the expected contractual maturity of financial liabilities.

	Within 3 months \$'000	3 months to 1 year \$'000	More than 1 year \$'000	Total \$'000
At 31 December 2020	1,387	-	-	1,387
Trade and other payables	-	106	248	354
At 31 December 2021	1,479	-	-	1,479
Trade and other payables	-	110	138	248

27. Commitments and contingencies

Licence contingent liability

The Group has working interests in Blazhiv licence to conduct its exploration and development activities in Ukraine. The licence is not holding any obligation for carrying exploration activities within its term.

Tax contingent liabilities

The Group assesses its liabilities and contingencies for all tax years open for audit by UK, Netherlands and Ukraine tax authorities based upon the latest information available. Where management concludes that it is not probable that a particular tax treatment is accepted, a provision is recorded based on the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws.

Whilst the Group believes it has adequately provided for the outcome of these matters, certain periods are under audit by the UK, Netherlands and Ukraine tax authorities, and therefore future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made or resolved. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

After an inspection conducted by Ukraine's tax authorities in September 2019, Astroinvest Energy LLC was notified of a tax claim related to the historic costs for the liquidation of wells on the Zagoryanska licence. The tax authorities notified Astroinvest Energy LLC that they consider recoverable VAT (\$3.6 million) that has subsequently been used to offset output VAT to be non-deductible and additionally that the subsidiary's tax losses carry forward should be reduced by \$15.3 million (Note 21). Astroinvest Energy LLC has launched a claim against the tax authority's decision on the basis of the current tax legislation and related court decisions and considers the potential for a liability to be less than probable.

If unsuccessful Astroinvest Energy LLC would offset the amount of notified tax losses with part of the historical accumulated tax losses. The disputed amount of VAT would be partially covered with recoverable VAT not recognised as of 31 December 2020 (note 19) such that the eventual impact would be \$2.1 million.

28. Related party transactions

All transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In February 2019, the Group entered in a 2-year loan agreement with Proger Management & Partners Srl with an option to convert it into a direct 33% equity interest in Proger Ingegneria. At that time, Mr Michelotti was a Non-Executive Director of Proger Ingegneria Srl and Proger Spa, and CEO of Cadogan Petroleum PLC. Mr Michelotti did not participate to the voting for the approval of the loan agreement at the Board of Cadogan.

Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Annual Report on Remuneration 2021 on page 34.

	Purchase of services		Amounts owing	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Directors' remuneration	754	781	-	-
Social contribution on Directors' remuneration	126	81	-	-

The total remuneration of the highest paid Director was \$0.5 million in the year (2020: \$0.6 million).

No guarantees have been given or received and no provisions have been made for doubtful debts in respect of the amounts owed by related parties.

29. Events after the balance sheet date

In February 2022, Usenco Nadra received information from a public register that its claim was rejected by the Court of first instance. Despite the restrictions imposed by the martial law in Ukraine, Usenco Nadra exercised its right for appeal. As a result and given the present uncertainty with the military situation on the process and decision timing, the Group recognised impairment on the full balance sheet value of E&E assets in an amount of \$2.5 million.

After several months of military confrontation, Russia invaded Ukraine on 24 February 2022. The war is increasingly affecting the economy of Europe and exacerbating ongoing economic challenges, including issues such as rising inflation and supply-chain disruption. The degree to which the Group will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action and reactions to ongoing developments by global financial markets. At the beginning of March 2022, the Company stopped its production operations for 3 weeks and was able to resume them after having secured its employees safety, the transactions with its customers and deliveries. Starting the end of March 2022 and till the date of the report the Group is operating in due course, production operates with a full capacity, product shipments are not interrupted.

Company Balance Sheet

As at 31 December 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Non-current assets			
Receivables from subsidiaries	33	36,769	38,598
		36,769	38,598
Current assets			
Trade and other receivables		3	3
Cash	33	3,857	5,759
		3,860	5,762
Total assets		40,629	44,360
LIABILITIES			
Current liabilities			
Trade and other payables	34	(255)	(240)
		(255)	(240)
Total liabilities		(255)	(240)
Net assets		40,374	44,120
EQUITY			
Share capital	35	13,832	13,832
Share premium		514	514
Retained earnings ¹		134,747	138,493
Cumulative translation reserves	36	(108,719)	(108,719)
Total equity		40,374	44,120

The financial statements of Cadogan Petroleum plc, registered in England and Wales no. 05718406, were approved by the Board of Directors and authorised for issue on 28 April 2022.

They were signed on its behalf by:

Fady Khallouf
Chief Executive Officer
28 April 2022

¹ Included in retained earnings, loss for the financial year ended 31 December 2021 was \$3.7 million (2020: profit \$0.2 million).

Company Cash Flow Statement

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Operating activities		
Profit/(loss) for the year	(3,746)	175
Adjustments for:		
Interest received	-	(24)
Impairment of receivables from subsidiaries	665	-
Effect of foreign exchange rate changes	1,451	(1,617)
Movement in provisions	58	(32)
Operating cash flows before movements in working capital	(1,572)	(1,498)
Increase in receivables	(4)	(77)
Decrease in payables	(38)	(80)
Cash used in operations	(1,614)	(1,655)
Income taxes paid	-	-
Net cash outflow from operating activities	(1,614)	(1,655)
Investing activities		
Interest received	-	24
Net cash used in investing activities	-	24
Net decrease in cash	(1,614)	(1,631)
Effect of foreign exchange rate changes	(288)	419
Cash at beginning of year	5,759	6,971
Cash at end of year	3,857	5,759

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital \$'000	Share premium account \$'000	Retained earnings \$'000	Other Reserve \$'000	Cumulative translation reserves \$'000	Total \$'000
As at 1 January 2020	13,525	329	138,318	492	(108,719)	43,945
Net loss for the year	-	-	175	-	-	175
Total comprehensive loss for the year	-	-	175	-	-	175
Issue of ordinary shares	307	185	-	(492)	-	-
As at 1 January 2021	13,832	514	138,493	-	(108,719)	44,120
Net income for the year	-	-	(3,746)	-	-	(3,746)
Total comprehensive income for the year	-	-	(3,746)	-	-	(3,746)
As at 31 December 2021	13,832	514	134,747	-	(108,719)	40,374

The notes on pages 87 to 89 form part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 December 2021

30. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 (the "Act"). As permitted by the Act, the separate financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRSs").

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the Consolidated Financial Statements except as noted below.

As permitted by section 408 of the Act, the Company has elected not to present its profit and loss account for the year. Cadogan Petroleum plc reports a loss for the financial year ended 31 December 2021 of \$3.7 million (2020: profit \$0.2 million).

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Receivables from subsidiaries

Loans to subsidiary undertakings are subject to IFRS 9's new expected credit loss model. As all intercompany loans are repayable on demand, the loan is considered to be in stage 3 of the IFRS 9 ECL model on the basis the subsidiary does not have enough liquid assets in order to repay the loans if demanded. Lifetime ECLs are determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the subsidiaries will default on the loan and the amount of losses that would arise as a result of that default. Analysis indicated that the Company will fully recover the carrying value of the loans (net of historic credit loss provisions) so no additional ECL has been recognised in the current period.

Critical accounting judgements and key sources of estimation uncertainty

The Company's financial statements, and in particular its investments in and receivables from subsidiaries, are affected by certain of the critical accounting judgements and key sources of estimation uncertainty.

The critical estimates and judgments referred to application of the expected credit loss model to intercompany receivables (note 33). Management determined that the interest free on demand loans were required to be assessed on the lifetime expected credit loss approach and assessed scenarios considering risks of loss events and the amounts which could be realised on the loans. In doing so, consideration was given to factors such as the cash held by subsidiaries and the underlying forecasts of the Group's divisions and their incorporation of prospective risks and uncertainties.

31. Auditor's remuneration

The auditor's remuneration for audit and other services is disclosed in note 10 to the Consolidated Financial Statements.

32. Investments

The Company's subsidiaries are disclosed in note 17 to the Consolidated Financial Statements. The investments in subsidiaries are all stated at cost less any provision for impairment.

33. Financial assets

The Company's principal financial assets are bank balances and cash and receivables from related parties none of which are past due. The Directors consider that the carrying amount of receivables from related parties approximates to their fair value.

Receivables from subsidiaries

At the balance sheet date gross amounts receivable from the fellow Group companies were \$350 million (2020: \$351 million). The Company recognised additional expected credit loss provisions in relation to receivables from subsidiaries of \$0.7 million in 2021 (2020: nil). The accumulated provision on receivables at 31 December 2021 was \$313.2 million (2020: \$312.4 million). The carrying value of the receivables from the fellow Group companies at 31 December 2021 was \$36.8 million (2020: \$38.6 million). Receivables from subsidiaries are interest free and repayable on demand. There are no past due receivables. The receivables are classified as non-current based on the expected timing of receipt notwithstanding their terms.

Cash

Cash comprises cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

Notes to the Company Financial Statements *continued*

For the year ended 31 December 2021

34. Financial liabilities

Trade and other payables	2021 \$'000	2020 \$'000
Accruals	174	139
Trade creditors	81	101
	255	240

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2020: 30 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is charged on balances outstanding.

35. Share capital

The Company's share capital is disclosed in note 25 to the Consolidated Financial Statements.

36. Cumulative translation reserve

The Directors decided to change the functional currency of the Company from sterling to US dollars with effect from 1 January 2016. The effect of a change in functional currency is accounted for prospectively. In other words, the Company translates all items into the US dollar using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of an operation previously recognised in other comprehensive income in accordance with paragraphs 32 and 39(c) IAS 21 "Foreign Currency" are not reclassified from equity to profit or loss until the disposal of the operation.

37. Financial instruments

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to shareholders. Refer to note 26 for the Group's overall strategy and financial risk management objectives.

The capital resources of the Company consist of cash arising from equity, comprising issued capital, reserves and retained earnings.

Categories of financial instruments	2021 \$'000	2020 \$'000
Financial assets - loans and receivables (includes cash)		
Cash	3,857	5,759
Amounts due from subsidiaries	36,769	38,598
	40,626	44,357
Financial liabilities - measured at amortised cost		
Trade creditors	(81)	(101)
	(81)	(101)

Interest rate risk

All financial liabilities held by the Company are non-interest bearing. As the Company has no committed borrowings, the Company is not exposed to any significant risks associated with fluctuations in interest rates.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. For cash, the Company only transacts with entities that are rated equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties.

The Company's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the Company financial statements, which is net of any impairment losses, represents the Company's maximum exposure to credit risk.

37. Financial instruments *continued*

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintains adequate reserves, by continuously monitoring forecast and actual cash flows.

The Company's financial liabilities are not significant and therefore no maturity analysis has been presented.

Foreign exchange risk and foreign currency risk management

The Company holds a large portion of its monetary assets in the US Dollars and Euro, mitigating the exchange risk between the US Dollars and Euro and monetary liability in the US Dollars. More information on the foreign exchange risk and foreign currency risk management is disclosed in note 26 to the Consolidated Financial Statements.

38. Related parties

Amounts due from subsidiaries

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are mainly for short and long-term financing. Amounts owed from these entities are detailed below:

	2021 \$'000	2020 \$'000
Cadogan Petroleum Holdings Limited	36,769	38,598
	36,769	38,598

Refer to note 32 for details on the Company's receivables due from subsidiaries.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. In 2021 there were no other employees in the Company. Further information about the remuneration of individual Directors is provided in the audited part of the Annual Report on Remuneration 2021 on pages 33 to 38.

	Purchase of services		Amounts owing	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Directors' remuneration	754	781	-	-
Social contribution on Directors' remuneration	126	81	-	-

The total remuneration of the highest paid Director was \$0.6 million in the year (2019: \$0.6 million).

39. Events after the balance sheet date

Events after the balance sheet date are disclosed in note 29 to the Consolidated Financial Statements.

Glossary

IFRSs	UK-adopted international accounting standards
JAA	Joint activity agreement
UAH	Ukrainian hryvnia
GBP	Great Britain pounds
\$	United States dollars
bbl	Barrel
boe	Barrel of oil equivalent
mmboe	Million barrels of oil equivalent
mboe	Thousand barrels of oil equivalent
mboepd	Thousand barrels of oil equivalent per day
boepd	Barrels of oil equivalent per day
bcf	Billion cubic feet
mmcm	Million cubic metres
mcm	Thousand cubic metres
Reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories.
Proved Reserves	Those additional Reserves which analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from reservoirs and under defined economic conditions, operating methods and government regulations.
Probable Reserves	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved Resources but more certain to be recovered than possible Reserves.
Possible Reserves	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable Reserves.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
Prospective Resources	Those quantities of petroleum which are estimated as of a given date to be potentially recoverable from undiscovered accumulations.
P1	Proved Reserves
P2	Probable Reserves
P3	Possible Reserves
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
Workover	The process of performing major maintenance or remedial treatment of an existing oil or gas well
E&E/E&P	Exploration and Evaluation/Exploration and Production
LTI	Lost time incidents

Shareholder Information

Enquiries relating to the following administrative matters should be addressed to the Company's registrars: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

- > Loss of share certificates.
- > Notification of change of address.
- > Transfers of shares to another person.
- > Amalgamation of accounts: if you receive more than one copy of the Annual Financial Report, you may wish to amalgamate your accounts on the share register.

You can access your shareholding details and a range of other services at the Shareholder Portal www.signalshares.com.

Information concerning the day-to-day movement of the share price of the Company can be found on the Group's website www.cadoganpetroleum.com or that of the London Stock exchange www.prices.londonstockexchange.com.

Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To reduce the amount of unsolicited mail you receive, contact: The Mailing Preference Service, FREEPOST 22, London W1E 7EZ. Telephone: 0845 703 4599. Website: www.mpsonline.org.uk.

Financial calendar 2021/2022

Annual General Meeting	June 2022
Half Yearly results announced	September 2021
Annual results announced	May 2022

Investor relations

Enquiries to: info@cadoganpetroleum.com

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Notes

CADOGAN

PETROLEUM PLC

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