GREENFIELDS PETROLEUM CORPORATION

ahead of the curve

The International Financial Reporting Standards Interim Condensed Consolidated Financial Statements and Report on Review

For the Six Months Ended June 30, 2022

GREENFIELDS PETROLEUM CORPORATION

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholder of Greenfields Petroleum Corporation:

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Greenfields Petroleum Corporation (the "Company") and its subsidiaries (together refer to the "Group"), which comprise the interim condensed consolidated statement of financial position as at June 30, 2022, and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at June 30, 2022, and its financial performance and its cash flows for the six months then ended in accordance with IAS 34.

Emphasis of Matter – Related party transactions and balances

Without qualifying our opinion, we also draw attention to Note 16 to the accompanying interim condensed consolidated financial statements. The Group has significant borrowing balances with related parties. Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Baker Tilly Azerbaijan

September 15, 2022
Baku, the Republic of Azerbaijan

GREENFIELDS PETROLEUM CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022
(In thousand United States dollars)

	Notes	June 30, 2022 (unaudited)	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	3	594	388
Trade and other receivables	4	5,051	4,706
Prepayments	5	348	394
Inventories	6	2,308	2,811
Other current assets		-	240
Total current assets		**8,301**	**8,539**
Non-current assets:			
Property and equipment	7	185,507	186,840
Right of use asset	8	2,401	3,201
Advances to suppliers of property and equipment	9	994	3,044
Total non-current assets		**188,902**	**193,085**
TOTAL ASSETS		**197,203**	**201,624**
LIABILITIES AND EQUITY			
LIABILITIES:			
Current liabilities:			
Trade and other payables	10	4,804	4,331
Amounts due to related parties	16	-	2,887
Taxes other than income tax payable	11	514	712
Profit petroleum payable under the ERDPSA	12	1,378	904
Interest-bearing loans and borrowings	13, 16	4,866	83,741
Lease liability	14	2,277	2,022
Environmental liability		47	53
Total current liabilities		**13,886**	**94,650**
Non-current liabilities:			
Interest-bearing loans and borrowings	13, 16	80,271	527
Provision for well abandonment and site restoration	15	1,262	1,221
Lease liability	14	1,041	2,276
Total non-current liabilities		**82,574**	**4,024**
Total liabilities		**96,460**	**98,674**
EQUITY:			
Share capital	17	180	180
Paid in capital	17	105,305	105,305
Accumulated deficit		(4,742)	(2,535)
Total equity		**100,743**	**102,950**
TOTAL LIABILITIES AND EQUITY		**197,203**	**201,624**

On behalf of the Management:

John Harkins
President and Chief Executive Officer

September 15, 2022

Rasul Gafarov
Chief Financial Officer and Treasurer

September 15, 2022

The notes on pages 6 to 23 form an integral part of these financial statements.

GREENFIELDS PETROLEUM CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In thousand United States dollars)

	Notes	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
REVENUES:			
Oil and gas revenues	18	14,503	13,680
Less profit petroleum under the ERDPSA	12	(982)	(502)
Less selling and transportation costs	19	(260)	(277)
NET REVENUES		**13,261**	**12,901**
COSTS AND EXPENSES:			
Operating expenses	20	(6,927)	(5,845)
Depreciation, depletion and amortization	7, 8	(6,016)	(6,079)
General and administrative expenses	21	(1,513)	(2,207)
OPERATING LOSS		**(1,195)**	**(1,230)**
Finance expenses	22	(1,027)	(4,328)
Foreign exchange loss, net		(7)	(1)
Gain from rent concession	14	-	61
Other income		22	-
NET LOSS FOR THE PERIOD		**(2,207)**	**(5,498)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(2,207)**	**(5,498)**
NET LOSS PER SHARE (in United States dollars)	**17**	**(7,006)**	**(10,068)**

On behalf of the Management:

John Harkins
President and Chief Executive Officer

September 15, 2022

Rasul Gafarov
Chief Financial Officer and Treasurer

September 15, 2022

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GREENFIELDS PETROLEUM CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In thousand United States dollars)

	Share capital	Paid in capital	Retained earnings/ (Accumulated deficit)	Total equity
January 1, 2021	**180**	**105,325**	**8,263**	**113,768**
Total comprehensive loss for the period	-	-	(5,498)	(5,498)
June 30, 2021 (unaudited)	**180**	**105,325**	**2,765**	**108,270**
January 1, 2022	**180**	**105,305**	**(2,535)**	**102,950**
Total comprehensive loss for the period	-	-	(2,207)	(2,207)
June 30, 2022 (unaudited)	**180**	**105,305**	**(4,742)**	**100,743**

On behalf of the Management:

John Harkins
President and Chief Executive Officer

September 15, 2022

Rasul Gafarov
Chief Financial Officer and Treasurer

September 15, 2022

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GREENFIELDS PETROLEUM CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In thousand United States dollars)

	Notes	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss from operations		(2,207)	(5,498)
Adjustments to add non-cash items:			
Depreciation, depletion and amortization	7, 8	6,025	6,079
Finance expenses	22	1,027	4,328
Foreign exchange loss		7	1
Gain from rent concession	14	-	(61)
Gain from extinguishment of liabilities		(22)	-
Working capital adjustments:			
Change in trade and other receivables		(345)	10,177
Change in prepayments		46	(1,118)
Change in inventories		494	(771)
Change in other current assets		240	(280)
Change in trade and other payables		566	(4,205)
Change in profit petroleum payable under ERDPSA		474	(405)
Change in taxes other than income tax payables		(198)	(1,471)
Change in environmental liabilities		(6)	(24)
Net cash flows from operating activities		**6,101**	**6,752**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property and equipment		(1,861)	(2,505)
Net cash flows used in investing activities		**(1,861)**	**(2,505)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	13	(2,450)	(947)
Payment for the lease liability	14	(1,212)	(1,804)
Interest paid on borrowings	13	(372)	(50)
Net cash flows used in financing activities		**(4,034)**	**(2,801)**
Effect of changes in exchange rates on cash and cash equivalents		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		206	1,446
CASH AND CASH EQUIVALENTS, *beginning of the period*	3	388	127
CASH AND CASH EQUIVALENTS, *end of the period*	3	594	1,573

On behalf of the Management:

John Harkins
President and Chief Executive Officer

September 15, 2022

Rasul Gafarov
Chief Financial Officer and Treasurer

September 15, 2022

The notes on pages 6 to 23 form an integral part of these financial statements.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

1. GENERAL INFORMATION

Greenfields Petroleum Corporation Company and its Subsidiaries ("Greenfields" or the "Group"), incorporated in the Cayman Islands, is an oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan. The Group's head office is located at 2001 Timberloch Place, Suite 500, The Woodlands, Texas, 77380, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

As at June 30, 2022 and December 31, 2021 the Group's shareholders comprised below:

	June 30, 2022		December 31, 2021	
	Number of shares	Ownership, %	Number of shares	Ownership, %
Vitol Energy Bermuda	60	19.05%	60	19.05%
Ingalls and Snyder	85	26.98%	85	26.98%
John W. Harkins	85	26.98%	85	26.98%
Dean Clark (Barbados)	31	9.84%	31	9.84%
Shareholder less than 5%	54	17.15%	54	17.15%
Total	**315**	**100%**	**315**	**100%**

The Group owns Bahar Energy Limited ("Bahar Energy" or "BEL"), a venture company that on December 22, 2009, entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") and its affiliate SOCAR Oil Affiliate ("SOA") in respect of the offshore block known as the Bahar Project ("Bahar Project"), which consists of the Contract Rehabilitation Area ("Contract Rehabilitation Area" or "CRA") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("Contract Exploration Area"). Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest in the ERDPSA (together with the "Contractors" or "Contractor Parties").

The BEL is entitled to a twenty-five years period for development and production from the date of SOCAR's approval of the rehabilitation and production program on October 1, 2010. This period can be extended for another five years with the mutual consent of SOCAR and the BEL.

The ERDPSA was ratified by the Parliament of the Republic of Azerbaijan and approved by the President of the Republic of Azerbaijan on April 27, 2010.

ERDPSA Operations

Under the provisions of the ERDPSA, the BEL and SOA have established the Bahar Energy Operating Company ("BEOC"), a United Arab Emirates registered joint operating company. Each company's ownership in BEOC is the same as its interest in the ERDPSA. BEOC does not generate any profits and does not charge any fees for operating the ERDPSA oil and gas properties.

Following the provisions of the ERDPSA, Bahar Energy is required to carry SOA's 20% participating interest in the ERDPSA until the end of the calendar quarter during which an average daily rate of Petroleum production from the contract rehabilitation area for thirty (30) consecutive days shall exceed at least two (2) times the average daily rate of the 2008 Petroleum Production ("Target Production Rate 2" or "TPR2") or 9,259 barrels of oil equivalent per day ("boe" or "boe/d").

Under the ERDPSA, Bahar Energy had an obligation to achieve, not later than three (3) years from the date of SOCAR's approval of the "Rehabilitation and Production Program", an average daily rate of petroleum production from the contract rehabilitation area during ninety (90) consecutive days to be one point five (1.5) times the average daily rate of the 2008 Petroleum Production ("Target Production Rate 1" or "TPR1") or 6,944 barrels of oil equivalent per day ("boe" or "boe/d").

On January 10, 2014 BEOC informed SOCAR that they had maintained an average of 6,962 boe/day for the previous 90 consecutive days meeting the TPR1 requirements in accordance with the ERDPSA. However, this production milestone has only been acknowledged by SOCAR in 2015, which has been followed by the payment of USD 2,000 thousand bonus obligation by BEL to the government according to the terms of ERDPSA. Meeting the TPR1-based ERDPSA provisions secured the rights for BEL to the full twenty-five-year development and production period. Additionally, finance costs started to be applied to unrecovered petroleum costs at the end of each calendar quarter.

On March 31, 2014, BEOC achieved Target Production Rate 2 ("TPR2") as defined in Article 3.5, "Special Provisions for Carrying SOA's Participating Interest" of the ERDPSA. Upon achieving TPR2, SOA became obligated to fund 20% of the Contract Rehabilitation Area operating costs and capital expenditures (together with the "Petroleum Costs") starting the second quarter of 2014, thereby relieving BEL from the obligation to carry SOA's 20% share of Petroleum Costs under Carry 1 provisions of the ERDPSA. With TPR2 met, both BEL and SOA, as contractors to the ERDPSA, were obligated to fund their proportionate share of Petroleum Costs through cash call requests issued by BEOC.

However, due to SOA's failure to fund cash calls, BEL continued to carry SOA's portion of petroleum costs. On April 19, 2017, BEL and SOCAR signed a 36-months protocol in respect of the carry of certain costs (the "Protocol"), which addresses the shortfall by SOA in funding its 20% share of Petroleum Costs incurred under the ERDPSA since April 2014. Per the Protocol, which is effective since April 19, 2017, SOA's 20% share of Petroleum Costs is to be funded from: (i) SOA's entitlement share of profit petroleum; and (ii) proceeds from SOCAR's marketing of the 10% compensatory petroleum delivered at no charge to SOCAR by the ERDPSA, (together with the "Protocol Proceeds").

The cash call funding deficiencies by SOA are to be funded by BEL, and the amounts equivalent to BEL's overfunding will be added to the Carry 1, which balance is subject to reimbursement through the allocation of SOA's share of current and future production referred to as cost recovery petroleum under the ERDPSA Carry 1 recovery provisions.

On April 19, 2020 BEL and SOCAR signed an addendum on the amendment to the protocol on the carry of SOA certain costs and concerning issues related to ERDPSA and the period of the protocol was prolonged another 36 months extending the period of recovery to April 19, 2023.

The Protocol was implemented as a financing mechanism, whereby should BEL pay SOA's share of expenditures, BEL would be entitled to receive SOA's share of Cost Recovery Petroleum until such time as (a) amounts were no longer owing under Carry 1; and (b) no portion of the SOA's share of expenditures was outstanding. Per the Protocol, any amounts received from SOA as Protocol Proceeds are treated as financing and recorded as reimbursements of Petroleum Costs incurred. The Protocol Proceeds do not meet the requirements to be accounted for as oil and gas revenue.

In recent years, Greenfields was unable to raise money through the public markets and the shares were thinly traded on the TSXV. Through the delisting process and a number of Shareholders who approved the transactions, the Group was able to eliminate the burden of maintaining a public listing and discontinue being a reporting issuer. Under applicable securities law a broad range of regulatory obligations was imposed on companies, such as Greenfields, with public shareholders, including the provision of quarterly financial statements and information to shareholders, mandatory solicitation of proxies for annual meetings, increased insurance costs, transfer agents and stock exchange fees and compliance cost and shareholder communication costs. These regulatory requirements necessitated the employment of independent accountants, reserves evaluators, financial consultants, printers, lawyers and other skilled personnel at considerable expense to the Group. The Group believed that the time and costs entailed in meeting the additional disclosure and other regulatory obligations to which public companies are subject could not be justified in view of Greenfields's business strategy of focusing on the development of the Bahar PSA, and its limited number of public shareholders.

The Group applied to delist the shares from the TSX Venture Exchange ("TSXV") and to cease to be a reporting issuer in each province in which it reported and to terminate its public reporting obligations (the "Applications"). On September 11, 2020 the Group delisted and stopped trading on the TSXV. On May 27, 2021 the Group became a non-reporting issuer.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below:

Basis of preparation

These interim condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34, "Interim Financial Reporting". As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. Operating results for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ended December 31, 2022. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	June 30, 2022 (unaudited)	December 31, 2021
Cash at banks	589	383
Cash in hand	5	5
Total cash and cash equivalents	**594**	**388**

4. TRADE AND OTHER RECEIVABLES

	June 30, 2022 (unaudited)	December 31, 2021
Trade receivables from oil sales	3,291	3,150
Trade receivables from natural gas sales	1,760	1,556
Other receivables	1,528	1,528
Less allowance for impairment	(1,528)	(1,528)
Total trade and other receivables, net	**5,051**	**4,706**

The trade receivables account was denominated in USD and represents the amounts due from SOCAR for sales of crude oil and natural gas under the ERDPSA. As at June 30, 2022 and December 31, 2021, the Group considered the carrying amount of receivables as fully collectible.

5. PREPAYMENTS

The prepayments in the amount of USD 348 thousand and USD 394 thousand, include the advance payments for operating services and inventories to be used in operations as at June 30, 2022 and December 31, 2021, respectively.

6. INVENTORIES

Inventories consist of the following:

	June 30, 2022 (unaudited)	December 31, 2021
Spare parts and materials	2,218	2,744
Fuel	153	151
Oil in stock	116	95
Provision for slow moving items	(179)	(179)
Total inventories	**2,308**	**2,811**

Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. As at June 30, 2022 the Group recognized allowance for slow-moving inventories in the amount of USD 179 thousand (December 31, 2021: USD 179 thousand).

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

7. PROPERTY AND EQUIPMENT

	Oil and gas properties	Capital in Progress	Other assets	Total
Initial cost				
January 1, 2021	**213,901**	**11,926**	**1,658**	**227,485**
Additions	2,495	5,936	-	8,431
Change in decommissioning provision	(45)	-	-	(45)
Transfer (internal)	1,462	(1,462)	-	-
December 31, 2021	**217,813**	**16,400**	**1,658**	**235,871**
Additions (unaudited)	1,718	2,202	-	3,920
Change in decommissioning provision (unaudited)	(28)	-	-	(28)
Transfer (internal)	1,439	(1,439)	-	-
June 30, 2022 (unaudited)	**220,942**	**17,163**	**1,658**	**239,763**
Accumulated DDA				
January 1, 2021	**(36,454)**	**(1,079)**	**(1,563)**	**(39,096)**
Charge for the period	(9,590)	-	(10)	(9,600)
Reversal of impairment loss	-	(335)	-	(335)
December 31, 2021	**(46,044)**	**(1,414)**	**(1,573)**	**(49,031)**
Charge for the period (unaudited)	(5,219)	-	(6)	(5,225)
June 30, 2022 (unaudited)	**(51,263)**	**(1,414)**	**(1,579)**	**(54,256)**
Net book value				
June 30, 2022 (unaudited)	**169,679**	**15,749**	**79**	**185,507**
December 31, 2021	**171,769**	**14,986**	**85**	**186,840**

Bonus in the amount of USD 4,000 thousand, for the right to contract area development plan was paid to SOCAR in accordance with the ERDPSA and this cost has been included in the initial cost of oil and gas properties as at June 30, 2022 and December 31, 2021. The carrying amount of the bonus was USD 2,525 thousand as at June 30, 2022 (December 31, 2021: USD 2,580 thousand).

In assessing whether a write-down is required in the carrying value of a potentially impaired asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges is the value in use.

After individual assessment of assets, the Group assesses the recoverable amount of cash-generating unit to which the oil and properties belong. The Group estimates value in the use of cash-generating unit using a discounted cash flow model. The calculation of value in use is most sensitive to the following assumptions:

- Production volumes;
- Discount rate;
- Commodity price.

Estimated production volumes are based on detailed data for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process. The management utilizes a risk-adjusted basis for the different categories of oil reserves recognized (being 90% of proved, 50% of probable and 10% of possible reserves).

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

The Group generally estimates value in use using a discounted cash flow model. The future cash flows as at June 30, 2022 are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 11.20% (December 31, 2021: 11.22%). This discount rate is derived from the Group's pre-tax weighted average cost of long-term borrowings.

The management uses escalated price case for commodity price assumption which implies a varying price over the life of the project with future escalations of prices indexed to the Brent Forward Pricing as listed on NYMEX and USD 95 per thousand cubic meters of natural gas.

As at June 30, 2022 and December 31, 2021 the Group did not recognize any impairment loss on the cash-generating unit to which oil and gas properties belong.

The Group shall be responsible for the maintenance and repair of all facilities controlled and operated in connection with the petroleum operations. Fees from third parties' access to contractor facilities shall be credited to the petroleum operations account. SOCAR shall have the right to use excess capacity in contractor facilities provided such use does not interfere with or adversely affect petroleum operations. Third parties may use such excess capacity on terms agreed with the Contractor. Prior to zero balance, the priority of such use of contractor facilities shall be first the Group, then third parties, and finally SOCAR. During the period ended June 30, 2022, the Group did not transfer any assets to SOCAR. (December 31, 2021: nil)

8. RIGHT-OF-USE ASSET

	Vessels	Office area	Total
Initial cost			
January 1, 2021	**8,744**	**55**	**8,799**
Modification	(480)	2	(478)
December 31, 2021	**8,264**	**57**	**8,321**
June 30, 2022 (unaudited)	**8,264**	**57**	**8,321**
Accumulated depreciation			
January 1, 2021	**(3,498)**	**(22)**	**(3,520)**
Charge for the year	(1,588)	(12)	(1,600)
December 31, 2021	**(5,086)**	**(34)**	**(5,120)**
Charge for the year (unaudited)	(794)	(6)	(800)
June 30, 2022 (unaudited)	**(5,880)**	**(40)**	**(5,920)**
Net book value			
June 30, 2022 (unaudited)	**2,384**	**17**	**2,401**
December 31, 2021	**3,178**	**23**	**3,201**

9. ADVANCES TO SUPPLIERS OF PROPERTY AND EQUIPMENT

As at June 30, 2022 and December 31, 2021 the advances to the suppliers of property and equipment in the amount of USD 994 thousand and USD 3,044 thousand include advances for capital repair of equipment and other non-current assets, platforms, oil pipelines and etc.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

10. TRADE AND OTHER PAYABLES

	June 30, 2022 (unaudited)	December 31, 2021
Trade accounts payable	4,798	4,328
Other payables	6	3
Total trade and other payables	**4,804**	**4,331**

As at June 30, 2022 and December 31, 2021 trade and other payables in the amount of USD 4,798 thousand and USD 4,328 thousand mainly include payables for the repair of production and technical facilities, marine services, medical insurance of employees and other insurance services, electricity expenses, professional fees and other payables related to the Group's operations, respectively.

11. TAXES OTHER THAN INCOME TAX PAYABLE

	June 30, 2022 (unaudited)	December 31, 2021
Personal income tax	286	269
VAT payable	131	341
Other tax payables	97	102
Total taxes other than income tax payable	**514**	**712**

As at June 30, 2022 and December 31, 2021 VAT payables in the amount of USD 131 thousand and USD 341 thousand represent the VAT payables from sales of natural gas to SOCAR Gas Export Department.

12. PROFIT PETROLEUM PAYABLE UNDER THE ERDPSA

Profit petroleum is the balance of total production from the contract area under the ERDPSA remaining after deducting the quantities of crude oil and non-associated natural gas necessary to enable recovery of operating costs and the portion of capital costs recovery petroleum used to recover accumulated capital costs which are calculated on a calendar quarter basis and shall be shared between the Government, SOA and the Group according to the mechanism defined in the ERDPSA. Profit petroleum payable under ERDPSA represents profit petroleum which should be distributed by the Group to the government.

Profit petroleum oil payable as at June 30, 2022 and December 31, 2021, consisted of the following:

	June 30, 2022 (unaudited)	December 31, 2021
Profit petroleum payable to the government	1,378	904
Total profit petroleum payable under ERDPSA	**1,378**	**904**

According to the ERDPSA, the share of profit oil to which the government is entitled in a calendar year is deemed to include a portion representing the income tax imposed upon and due by the Group and which will be paid directly by SOFAZ on behalf of the Group to the appropriate tax authorities. This portion of income tax and revenue is presented as gross in the statement of comprehensive income.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

Profit petroleum under the ERDPSA represents the share of profit oil attributable to the government. The share of profit oil to which the government is entitled in a calendar year is deemed to include a portion representing the income tax imposed upon and due by the Group and which will be paid directly by SOFAZ on behalf of this Group to the appropriate tax authorities.

13. INTEREST-BEARING LOANS AND BORROWINGS

Non-current portion:

Lender	Effective interest rate	Maturity date	As at June 30, 2022 (unaudited)	As at December 31, 2021
CONVERTIBLE LOAN			**58,828**	**-**
Vitol Energy (Bermuda) Ltd.	SOFR+1.5%	31.12.2027	49,214	-
Ingalls and Snyder LLC	SOFR+1.5%	31.12.2027	8,054	-
Other individual company loans	SOFR+1.5%	31.12.2027	1,560	-
SECURED LOAN			**21,443**	**-**
Vitol Energy (Bermuda) Ltd.	SOFR+5% LIBOR+11%	31.12.2025	17,939	-
Ingalls and Snyder LLC	SOFR+5% LIBOR+11%	31.12.2025	2,936	-
Other individual company loans	SOFR+5% LIBOR+11%	31.12.2025	568	-
"PASHA BANK" OJSC			**-**	**527**
Pasha loan 1	5%	19-02-23	-	527
Total non-current portion of interest-bearing loans and borrowings			**80,271**	**527**

Current portion:

Lender	Effective interest rate	Maturity date	As at June 30, 2022 (unaudited)	As at December 31, 2021
"PASHA BANK" OJSC			**2,083**	**3,744**
Pasha loan 5	5%	19-02-23	2,083	3,072
Pasha loan 1	5%	04-05-22	-	143
Pasha loan 2	5%	04-05-22	-	112
Pasha loan 3	5%	04-05-22	-	191
Pasha loan 4	5%	04-05-22	-	226
SECURED LOAN			**2,783**	**79,997**
Vitol Energy (Bermuda) Ltd.	LIBOR+11%	On demand		
	LIBOR+11%		1,576	65,943
Ingalls and Snyder LLC	LIBOR+11%	On demand	258	9,345
Other individual corporate loans	LIBOR+11%	On demand	949	4,709
Total current portion of interest-bearing loans and borrowings			**4,866**	**83,741**

During the period ended June 30, 2022, a loan agreement was signed between the BEOC and "Pasha Bank" OJSC in the total amount of USD 4,593 thousand. The outstanding balance of this loan was USD 2,083 thousand as at June 30, 2022 (2021: USD 3,599 thousand).

During the period ended June 30, 2022, the BEOC paid principal and interest in the amounts of USD 2,188 thousand and USD 83 thousand respectively, to Pasha Bank OJSC (2020: principal: USD 2,726 thousand, interest: USD 160 thousand).

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

On June 15, 2022, the Group agreed to restructure its outstanding loans and borrowings to related parties into the two debt instruments: (i) USD 23 million senior secured loan with an interest of SOFR+5% and with distributions on a pro-rata basis for 4 years, (ii) USD 59 million convertible loan with a final maturity date of 6 years and an interest of SOFR+1.5% payable per annum. The borrower shall pay accrued interest on the loan on the last day of each interest period or the accrued interest payable on that day shall be capitalised to become part of the loan. Convertible loans can either be repaid in full on their final maturity date, or, converted into ordinary shares at a conversion price of USD 3,441.72 per share.

Upon the occurrence of a Conversion Event (execution of an agreement for the sale of the assets or the issued share capital of the Borrower):

(a) the Borrower shall promptly notify the Lenders upon becoming aware of that event;
(b) if the Majority Lenders so require, the Majority Lenders shall, by not less than ten (10) days' notice to the Borrower, declare that the Loan, together with accrued interest, shall be converted into Conversion Shares in the capital of the Borrower subject to the following conditions:

(i) the number of conversion shares to be issued to each lender at the time of conversion shall be equal to the conversion amount divided by the conversion price pro rata to each lender's participation in the Loan;
(ii) the Borrower having obtained all Conversion Approvals; and
(iii) no fractional conversion shares will be issued upon conversion. Where the calculation results in a fraction, the number of conversion shares to be issued to a lender shall be rounded up to the nearest whole number of shares which result from the conversion.

A reconciliation of the opening and closing amounts of financial liabilities with relevant cash and non-cash changes from financing activities is stated below:

	Current portion	Non-current portion	As at June 30, 2022
January 1, 2022	**83,741**	**527**	**84,268**
Cash flow			
Principal paid	(2,450)	-	(2,450)
Interest paid	(372)	-	(372)
Non-cash changes			
Interest expense	726	-	726
Transfer from amounts due to related parties	2,987	-	2,987
Loan converted to convertible loan	(58,828)	58,828	-
Gain on extinguishment of liabilities	(22)	-	(22)
Term charge	(20,916)	20,916	-
June 30, 2022	**4,866**	**80,271**	**85,137**

	Current portion	Non-current portion	As at December 31, 2021
January 1, 2021	**74,254**	**671**	**74,925**
Cash flow			
Proceeds	-	4,593	4,593
Principal paid	(2,726)	-	(2,726)
Interest paid	(160)	-	(160)
Non-cash changes			
Interest expense	7,636	-	7,636
Term charge	4,737	(4,737)	-
December 31, 2021	**83,741**	**527**	**84,268**

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

14. LEASE LIABILITIES

	June 30, 2022	December 31, 2021
Lease liabilities (current)	2,277	2,022
Lease liabilities (non-current)	1,041	2,276
Total lease liabilities	**3,318**	**4,298**

As at June 30, 2022, future minimum lease payments were as follows:

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	2,426	1,213	3,639
Finance charges	(149)	(172)	(321)
Net present value as at June 30, 2022	**2,277**	**1,041**	**3,318**

As at December 31, 2021, future minimum lease payments were as follows:

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	2,426	2,426	4,852
Finance charges	(404)	(150)	(554)
Net present value as at December 31, 2021	**2,022**	**2,276**	**4,298**

A reconciliation of the opening and closing amounts of financial liabilities with relevant cash and non-cash changes from financing activities is stated below:

	Current portion	Non-current portion	June 30, 2022
January 1, 2022	**2,022**	**2,276**	**4,298**
Cash flow			
Lease paid (unaudited)	(1,212)	-	(1,213)
Non-cash changes			
Term charge (unaudited)	1,235	(1,235)	-
Interest expense (unaudited)	232	-	233
June 30, 2022 (unaudited)	**2,277**	**1,041**	**3,318**

	Current portion	Non-current portion	December 31, 2021
January 1, 2021	**2,753**	**4,374**	**7,127**
Cash flow			
Lease paid	(3,001)	-	(3,001)
Non-cash changes			
Term charge	2,098	(2,098)	-
Rent concession	(478)	-	(478)
Interest expense	650	-	650
December 31, 2021	**2,022**	**2,276**	**4,298**

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

15. PROVISION FOR WELL ABANDONMENT AND SITE RESTORATION

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The well abandonment and site restoration provision represents the present value of well abandonment and site restoration costs relating to oil and gas properties, which are expected to be incurred for various periods within the Group. ERDPSA determines the maximum liability of the Contractor parties for the well abandonment and site restoration provision. These estimates are reviewed regularly to take into account any material changes to the assumptions used in estimation. Under the provisions of ERDPSA, contractor parties are obliged to finance the abandonment of all fixed assets employed in petroleum operations within the contract areas defined in ERDPSA, through the transfer of funds to an escrow account starting from September 1, 2022.

As at June 30, 2022 and December 31, 2021, the amount of well abandonment and site restoration provision included in the initial value of oil and gas properties was USD 488 thousand and USD 516 thousand, respectively.

A reconciliation of the beginning and ending aggregate carrying amount of well abandonment and site restoration provision as at June 30, 2022 and December 31, 2021 is as follows:

	June 30, 2022 (unaudited)	**June 30, 2021 (unaudited)**
Opening balance	1,221	1,138
Accretion expense	69	64
Revision of estimation due to change in discount rate	(28)	3
Closing balance as at June 30	**1,262**	**1,205**

The future undiscounted amount of the well abandonment and site restoration provision was USD 5,168 thousand and 5,272 thousand as at June 30, 2022 and December 31, 2021, respectively. According to the ERDPSA, well abandonment and site restoration provision fund is to be created in order to finance the abandonment of all fixed assets to be employed. Management estimates that assets will begin to be abandoned at the expiration date of the ERDPSA, which is October 1, 2035.

The Group will make an assessment of future decommissioning costs of its movable assets based on well abandonment instructions issued by SOCAR and correspondingly revises its asset retirement obligation when there is a change in estimation.

The amount of the liability equals the present value of the future well abandonment and site restoration provision, using a risk-free interest rate adjusted for the effect of the Group's credit standing, which equals to 11.20% and 11.22% as at June 30, 2022 and December 31, 2021, respectively.

16. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

	Interest-bearing loans and borrowings		**Interest expense**	
Nature of relationship	**June 30, 2022 (unaudited)**	**December 31, 2021**	**Six months ended June 30, 2021 (unaudited)**	**Six months ended June 30, 2021 (unaudited)**
Shareholder	83,054	66,627	642	3,115
Total	**83,054**	**66,627**	**642**	**3,115**

Nature of relationship	Amounts due to related parties June 30, 2022 (unaudited)	December 31, 2021
Under common ownership	-	2,887
Total	**-**	**2,887**

Compensation of key management personnel

Total compensation to key management personnel is approximated to USD 530 thousand and USD 317 thousand for the six months ended June 30, 2022 and 2021, respectively.

17. SHAREHOLDER'S EQUITY

As at June 30, 2022 and December 31, 2021, paid-in capital in the amount of USD 105,325 thousand represents cash transfers to the Group and debt-to-equity conversion by the shareholders to make the Group sustainable in operations.

In May 2021, the Group: (i) consolidated the issued and outstanding common shares in the paid-in capital of the Group into a lesser number of issued common shares on the basis of a ratio of four thousand two (4002) pre-consolidation common shares for each one post-consolidation common share, such that the 2,171,509 common shares of the Group issued and outstanding were reduced to 543 common shares on a post-consolidation basis, (ii) on December 22, 2021, the Group agreed to repurchase 184 common shares from Vitol Energy Bermuda and it is proposed that as consideration the Group issue 184 preferred shares to Vitol Energy Bermuda which is entitled to a dividend equal to 125% of any dividend declared, (iii) Vitol Energy Bermuda agreed to surrender 22 common shares that the shareholder holds in the Group, (iv) additionally, 22 common shares were repurchased from shareholders who hold less than 5% of shares in the total consideration of 20 thousand USD.

Common Shares

Each common share carries equal voting rights, is non-preferential, and participates evenly in the event of a dividend payment or in the winding up of the Group.

As at June 30, 2022, the paid-in capital of the Group consists of 315 common shares and 184 preferred shares.

Outstanding shares	Number of common shares	Number of preferred shares	Amount
January 1, 2021	**2,171,509**	**-**	**105,505**
Share consolidation (4002:1)	543	-	105,505
Repurchase of common shares	(22)	-	(20)
Surrender of common shares	(22)	-	-
Shares converted to preferred shares (common shares)	(184)	-	(633)
Shares converted to preferred shares (preferred shares)	-	184	633
December 31, 2021	**315**	**184**	**105,485**
June 30, 2022 (unaudited)	**315**	**184**	**105,485**

Per Share Information

Amounts are expressed in thousand United States dollars except per share amount	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Weighted average number of common shares outstanding	315	542
Total comprehensive loss for the year	(2,207)	(5,498)
Basic and diluted loss per share (in United States dollars)	**(7,006)**	**(10,068)**

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

The average market value of the Group's common shares, used for purposes of calculating the dilutive effect of share options, is based on quoted market prices for the year that the equity instruments were outstanding. For the year ended June 30, 2022, no outstanding share options were issued. As at June 30, 2022 and December 31, 2021, the Group did not hold any common shares in the treasury.

18. OIL AND GAS REVENUES

The Group's revenues from crude oil are produced in the contract area under ERDPSA and exported through Baku-Novorossiysk and Baku-Tbilisi-Ceyhan pipeline systems. The customer of the Group is SOCAR Marketing and Economic Operations Department that receives the World Market Oil (WMO) at the delivery point in the territory of the Republic of Azerbaijan and carries and delivers to the international markets and State Contract Corporation of the Republic of Azerbaijan Stock Company (SOCAR Gas Export until 1 February 2021) which sells natural gas within the territory of the Republic of Azerbaijan.

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Revenue from the sales of crude oil	6,869	5,185
Revenue from the sales of natural gas	7,634	8,495
Total revenue	**14,503**	**13,680**

During the six months ended June 30, 2022 and 2021, the delivered crude oil and natural gas comprised:

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Crude Oil production, bbl	81,699	81,502
Natural Gas production, millions of cubic meters	81	89

19. SELLING AND TRANSPORTATION COSTS

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Transportation tariff	152	187
SOCAR pipeline transportation tariff	39	38
Commission to SOCAR Marketing and Operations Department	69	52
Total selling and transportation costs	**260**	**277**

For the six months ended June 30, 2022 and 2021, selling and transportation costs represent the amounts accrued for various commissions, internal and external pipeline tariffs.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

20. OPERATING EXPENSES

Operating expenses comprised the following:

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Payroll	3,306	4,289
Material costs	1,122	744
Rent expenses	1,103	274
Regular repairs and maintenance	762	313
Fuel expenses	612	331
Electricity and other utility expenses	446	498
Security services	122	134
Health and safety expenses	45	79
Transport expenses	-	9
Other expenses	120	34
Elimination under protocol*	(711)	(860)
Total operating expenses	**6,927**	**5,845**

*Elimination represents the allocation of petroleum costs and costs of recovery oil between contractor parties under protocol as indicated in Note 4.

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Payroll	1,520	1,840
Professional services	81	314
Office, travel and other expenses	74	57
Communications	41	40
Insurance services	37	317
Management fee	34	-
Bank commissions	19	31
Rent expenses	16	16
Elimination under protocol*	(309)	(408)
Total general and administrative expenses	**1,513**	**2,207**

*Elimination represents the allocation of petroleum costs and costs of recovery oil between contractor parties under protocol as indicated in Note 4.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

22. FINANCE EXPENSES

	Six months ended June 30, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Interest expense on interest-bearing loans and borrowings	726	3,772
Interest expense on lease liabilities	232	492
Accretion of asset retirement obligation	69	64
Total finance expenses	**1,027**	**4,328**

23. COMMITMENTS AND CONTINGENCIES

Operating Environment of the Group

In 2020, the global economy was negatively impacted by the spread of the coronavirus pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries which the Republic of Azerbaijan is in a trade relationship with. Starting from June 2020 many countries including the Republic of Azerbaijan demonstrated improvement in the signs of the pandemic and certain restrictions were lifted subsequently.

As a result, a recovery in global financial and commodity markets was observed. However, subsequently, the number of reported cases significantly increased in the Republic of Azerbaijan, and the government introduced new restrictions from mid-December 2020.

The restrictive lock-down measures to combat COVID-19 in the country significantly reduced economic activity and aggregate spending levels. Certain segments of the economy, such as hotels, transport, travel, entertainment and many other businesses also international trade much affected by these measures.

With the start of vaccination of the Azerbaijani population on January 16, 2021 the government of the Republic of Azerbaijan decided to gradually eliminate the special quarantine regime measures introduced in the previous year to combat the COVID-19 outbreak, such as travel restrictions, closure of business and other venues, lockdowns of certain areas throughout the country.

The Group has significant exposure to the economy and the level of international energy prices. Oil prices have decreased significantly due to the substantial reduction in oil consumption in the pandemic environment but demonstrated stable growth during the second quarter of 2020, however, prices for energy resources gradually went up as a result of the recovery of the world economy in 2021.

The Group's operations are conducted mainly in the Republic of Azerbaijan. Azerbaijan continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of Azerbaijan's economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government as well as crude oil prices and the stability of Azerbaijani Manat. Although the economy of the Republic of Azerbaijan is particularly sensitive to oil and gas prices, in recent years the Government of the Republic of Azerbaijan initiated major economic and social reforms to accelerate the transition to a more balanced economy and reduce its dependence on the oil and gas sector. GDP in Azerbaijan was USD 54.62 billion in 2021, according to the State Statistical Committee of the Republic of Azerbaijan. In the long-term, the GDP in Azerbaijan is projected to trend around USD 54.73 billion in 2022 and USD 55.98 billion in 2023, according to the econometric models.

The government continued its monetary policy with respect to the stability of Azerbaijani Manat as well as allocated foreign currency resources which stabilized Azerbaijani Manat. This policy continued in 2022 with the aim of maintaining macroeconomic stability. The Central Bank of the Republic of Azerbaijan has changed the refinancing rate several times during the period and the range was between 7.25% - 7.75% with a steady increase in rates.

The economy of Azerbaijan expanded 6.2% year-on-year in the January-June period of 2022 compared to a 2.1% growth in the same period last year as the country recovers from the pandemic. Oil and gas sector increased by 0.2% while the non-oil and gas sector advanced by 9.6%.

In March 2022, after the escalation of the military conflict between Russia and Ukraine, the price of oil per barrel reached 15-year highs, surpassing USD 120 per barrel.

The Group's management is monitoring changes in the macroeconomic environment and taking precautionary measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

International credit rating agencies regularly evaluate the credit rating of the Republic of Azerbaijan. "Fitch" and "S&P" evaluated the rating of the Republic of Azerbaijan as "BB+". "Moody's Investors Service" set a "Ba2" credit rating for the country.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The Management is unable to predict, all developments in the economic environment which would have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group. The management is currently performing sensitivity analyses under different oil price scenarios and elaborating relevant action plans for maintaining the sustainability of the business.

Legal proceedings

In the normal course of business, the Group received some claims from customers and counterparties. The Management expects that no material unaccrued losses will be incurred and accordingly, no provision has been made in these special-purpose financial statements.

Tax legislation

Tax, currency and customs legislation of the Republic of Azerbaijan is subject to varying interpretations, and changes, which can occur frequently. The Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant authorities.

Covenants and commitments under the ERDPSA

World Market Oil and Natural Gas contract

The Group entered into a sales agreement with SOCAR dated October 1, 2010, whereby the Group and SOA committed to sell their full entitlements of crude oil and natural gas produced in the ERDPSA contract area to SOCAR at market prices. Accordingly, the Group sold all the oil and natural gas produced from the rehabilitation area of the ERDPSA to SOCAR. In 2021 the Gas Sales Agreement was assigned to Azerkontrakt which is a subsidiary of the Ministry of Economy of the Azerbaijan Republic which improved the collection of gas receivables. The Group is assessing alternatives to improve the sales of gas prices to align with the global market.

Zero Balance

Prior to zero balance, the priority of such use of contractor facilities shall be first the Group, then third parties, and finally SOCAR. SOCAR shall pay a mutually agreed fee for such use to be credited to the petroleum operations account. After zero balance, the priority shall be first the Group, then SOCAR and finally third parties. SOCAR's use after zero balance shall be free of charge, except that maintenance of contractor facilities for the time being not used by the Group and being utilized exclusively by SOCAR, shall be on terms to be mutually agreed.

Compensatory Petroleum Obligation

The Group is obliged to deliver at no cost to SOCAR the amount of crude oil equal to 5% of the total production of petroleum produced from the Contract Rehabilitation Area within three years following the effective date.

Commencing from the fourth year following the effective date, the Group is obliged to deliver at no charge to SOCAR 10% of the total production of petroleum produced from the Contract Rehabilitation Area until the amount so delivered is equivalent to 170,000 tons of crude oil and 630 million cubic meters of non-associated natural gas ("compensatory petroleum").

As at June 30, 2022 the Group has 125,920 tons (919,597.876 bbl) of crude oil and 464 million cubic meters (16,387.34 million csf) of non-associated natural gas remaining compensatory petroleum obligation under the ERDPSA (June 30, 2021: 128,511 tons (938,428.197 bbl) of crude oil and 446 million cubic meters (15,750.34 csf) of natural gas).

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

Commitment under Environmental Action Plan

Under the provisions of the ERDPSA, the Group is only liable for those direct losses or damages incurred by third parties (other than any government authorities of the Republic of Azerbaijan) or arising out of any environmental pollution determined by the appropriate court of the Republic of Azerbaijan to have been caused by the fault of the Group. The Group is not responsible to bear any cost, expenses or material liability for claims, damages or losses arising out of or related to any environmental pollution or other environmental damages, condition or problems, which it did not cause, including but not limited to those in existence prior to December 22, 2009.

Commitment on Capital Expenditures

The Group plans to undertake the capital expenditure commitments for sustainable production of the remaining ERDPSA period. The capital commitments were associated with the drilling and testing of exploration wells, the upgrade, refurbishment and construction of a drilling rig and other facilities, the construction of new production facilities and etc. Under the potential work program, the management expects to invest funds in the amount of USD 54,615 thousand for long-term capital commitments during the period covering from 2022 to 2025.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at June 30, 2022 and December 31, 2021 the Group had no financial instruments measured at fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized below:

	Financial instrument Classification	Date of valuation	Fair value measurement using			Total
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed						
Cash and cash equivalents	Financial assets at amortized cost	June 30, 2022	594	-	-	594
Trade and other receivables	Financial assets at amortized cost	June 30, 2022	-	-	5,051	5,051
Liabilities for which fair values are disclosed						
Trade and other payables	Financial liability at amortized cost	June 30, 2022	-	-	(4,804)	(4,804)
Profit petroleum payable under ERDPSA	Financial liability at amortized cost	June 30, 2022	-	-	(1,378)	(1,378)
Interest-bearing loans and borrowings	Financial liability at amortized cost	June 30, 2022	-	-	(85,137)	(85,137)
Lease liabilities	Financial liability at amortized cost	June 30, 2022	-	-	(3,318)	(3,318)
Environmental liability	Financial liability at amortized cost	June 30, 2022	-	-	(47)	(47)
Provision for well abandonment and site restoration	Financial liability at amortized cost	June 30, 2022	-	-	(1,262)	(1,262)
Taxes other than income tax payable	Financial liability at amortized cost	June 30, 2022	-	-	(514)	(514)

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

	Financial instrument classification	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed						
Cash and cash equivalents	Financial assets at amortized cost	December 31, 2021	388	-	-	388
Trade and other receivables	Financial assets at amortized cost	December 31, 2021	-	-	4,706	4,706
Liabilities for which fair values are disclosed						
Trade and other payables	Financial assets at amortized cost	December 31, 2021	-	-	(4,331)	(4,331)
Profit petroleum payable under ERDPSA	Financial assets at amortized cost	December 31, 2021	-	-	(904)	(904)
Interest-bearing loans and borrowings	Financial liability at amortized cost	December 31, 2021	-	-	(84,268)	(84,268)
Lease liabilities	Financial liability at amortized cost	December 31, 2021	-	-	(4,298)	(4,298)
Environmental liability	Financial liability at amortized cost	December 31, 2021	-	-	(53)	(53)
Provision for well abandonment and site restoration	Financial liability at amortized cost	December 31, 2021	-	-	(1,221)	(1,221)
Taxes other than income tax payable	Financial liability at amortized cost	December 31, 2021	-	-	(712)	(712)
Amounts due to related parties	Financial liability at amortized cost	December 31, 2021	-	-	(2,887)	(2,887)

Fair value of financial assets and liabilities not carried at fair value

The Group does not have any financial assets and liabilities that are not carried out at fair value.

Set out below is a comparison by a class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

	Carrying value as at June 30, 2022	Fair value as at June 30, 2022	Unrecognized gain/(loss) as at June 30, 2022	Carrying value as at December 31, 2021	Fair value as at December 31, 2021	Unrecognized gain/(loss) as at December 31, 2021
Financial assets						
Cash and cash equivalents	594	594	-	388	388	-
Trade and other receivables	5,051	5,051	-	4,706	4,706	-
Financial liabilities						
Trade and other payables	(4,804)	(4,804)	-	(4,331)	(4,331)	-
Profit petroleum payable under the ERDPSA	(1,378)	(1,378)	-	(904)	(904)	-
Interest-bearing loans and borrowings	(85,137)	(85,137)	-	(84,268)	(84,268)	-
Lease liabilities	(3,318)	(3,318)	-	(4,298)	(4,298)	-
Environmental liability	(47)	(47)	-	(53)	(53)	-
Provision for well abandonment and restoration	(1,262)	(1,262)	-	(1,221)	(1,221)	-
Taxes other than income tax payable	(514)	(514)	-	(712)	(712)	-
Amount due to related parties	-	-	-	(2,887)	(2,887)	-
Total unrecognized change in unrealized fair value			-			-

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, without specific maturity and variable-rate financial instruments.

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.