

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2021

CONTENTS

PAGE

Board of Directors and other corporate information	1
Report of the Board of Directors	2 - 3
Independent auditor's report	4 - 6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 32

INDEPENDENT OIL & RESOURCES PLC

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors:

Jan Egil Moe (Chairman)
Anastasia Demosthenous
Robert Arnott

Company Secretary:

Fidelius Management Services Ltd

Independent Auditor:

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
27 Spyrou Kyprianou Ave.
4003 Mesa Yitonia
Limassol
Cyprus

Registered office:

Christodoulou Chatzipavlou 205
Loulloupis Court, 4th Floor, Office 401
3036, Limassol
Cyprus

Bankers:

Nordea Bank
Bank of Cyprus Public Company Ltd

Registration number:

HE319278

INDEPENDENT OIL & RESOURCES PLC

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of Independent Oil & Resources Plc (the "Company") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding and trading of investments.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Company expects to continue the same activities in the future.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 7 of the financial statements.

Results and Dividends

The Company's results for the year are set out on page 7. The Board of Directors does not recommend the payment of a dividend.

Share capital

On 14 May 2021, the Board decided to proceed with a new issue of shares, utilising the authorisation granted to the Board by the EGM held on 28 April 2021. The right issue comprised an offering of up to 15.000.000 new shares, with a subscription price of NOK 2.00 per share. The Board has decided not to engage any broker house for the right issue but will carry out the rights issue itself. The invitation for this right issue was sent to the 149 largest shareholders in the Company as of 28 April 2021. The proceeds from the new issue of shares amounted to NOK 30.000.000 including share premium of NOK 15.000.000. The subscription period in the offering has last from and including the 28 April 2021 to and including the 21 May 2021.

On 21 May 2021, the 15.000.000 shares were finally allocated to 29 existing shareholders who have indicated their interest to participate in the issue.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2021 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2021.

In accordance with the Company's Articles of Association all Directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

INDEPENDENT OIL & RESOURCES PLC

REPORT OF THE BOARD OF DIRECTORS

Events after the reporting period

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

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

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

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries. The increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

The Company regards these events as non-adjusting events after the reporting period, the quantitative impact, in relation to all significant assets and liabilities, estimated as at the date of issue of these financial statements as not material.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the additional measures as a fall-back plan in case the crisis is become prolonged.

Independent Auditor

The Independent Auditor, Ernst & Young Cyprus Limited, has expressed his willingness to continue in office and a resolution giving authority to the Board of Directors to fix his remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Fidelius Management Services Ltd
Secretary

Limassol, 3 June 2022

Independent Auditor's Report

To the Members of Independent Oil & Resources Plc

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Independent Oil & Resources Plc (the "Company"), which are presented in pages 7 to 32 and comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The Company's investment in Noco Oil & Resources Ltd ("Noco"), an associate company accounted for using the equity method (note 13), is carried at NOK 31.190.929 on the statement of financial position as at 31 December 2021, and the Company's share of net profit of NOK 1.613.460 is included in the Company's statement of profit and loss and other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Noco as at 31 December 2021 due to the fact that Noco has not prepared audited consolidated financial statements for the year 2021, and therefore the equity accounting is based on the separate financial statements of Noco. Consequently, we are unable to determine whether any adjustments to these amounts were necessary. Our audit opinion for the year ended 31 December 2020 was qualified on the same grounds. The associate company was carried at NOK 28.659.216 on the statement of financial position as at 31 December 2020, and the Company's share of Noco's net profit of NOK 2.700.339 was included in the Company's statement of profit or loss and other comprehensive income for the year then ended, based on the separate financial statements of Noco.

The Company's investment in Epsis AS ("Epsis"), an associate company accounted for using the equity method (note 13), is carried at NOK 1.500.000 on the statement of financial position as at 31 December 2021, and the Company's share of net loss of NOK 545.365 is included in the Company's statement of profit and loss and other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Epsis as at 31 December 2021 due to the fact that Epsis has not yet prepared its financial statements for the year 2021, and therefore we were not able to obtain sufficient audit evidence regarding its equity value recorded in the statement of financial position. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Except for the matters described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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, 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. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Noco and the carrying amount of the Company's investment in Epsis as at 31 December 2021 and the Company's share of Noco's net result and Epsis's net result for the year then ended. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of the Board of Directors for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

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

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report, except for the possible effects from the matters described in the Basis for qualified opinion section above.

Other Matter

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

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



Kyriakos Christodoulou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Limassol, 3 June 2022

INDEPENDENT OIL & RESOURCES PLC

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

		2021 NOK	2020 NOK
Revenue			
Dividend income	17	1.318.970	1.131.050
Interest income	15	4.237.222	3.552.611
		5.556.192	4.683.661
Fair value gain / (loss) on financial assets at fair value through profit or loss	17	9.240.006	(3.195.398)
Reversal of expected credit losses on financial assets	15	349.278	453.760
Administration and other expenses	8	(2.587.049)	(2.521.761)
Operating profit/(loss)		12.558.427	(579.738)
Finance income	10	653.214	7.404
Finance costs	10	(21.784)	(595.506)
Share of results of associates after tax and reversal of impairment	13	(3.652.551)	62.210.103
Profit before tax		9.537.306	61.042.263
Income tax	11	(88.905)	(84.943)
Net profit for the year		9.448.401	60.957.320
Attributable to the equity holders (NOK per share)			
Basic and diluted earnings per share	12	0,14	1,03
Other comprehensive income			
Net other comprehensive income /(loss) that may be reclassified to profit or loss in subsequent periods			
Share of comprehensive loss from associates	13	(2.659.675)	(2.758.419)
Currency translation differences of associates	13	4.835.917	(3.967.179)
Net other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods		2.176.242	(6.725.598)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Fair value change on equity instruments designated at fair value through other comprehensive income	14	(6.657.475)	(1.140.762)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(6.657.475)	(1.140.762)
Other comprehensive loss for the year		(4.481.233)	(7.866.360)
Total comprehensive income for the year		4.967.168	53.090.960

The notes on pages 11 to 32 form an integral part of these financial statements.


INDEPENDENT OIL & RESOURCES PLC


STATEMENT OF FINANCIAL POSITION

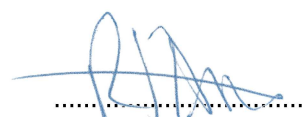
31 December 2021

	Note	2021 NOK	2020 NOK
ASSETS			
Non-current assets			
Investments in associates	13	168.205.827	169.181.736
Equity investments designated at fair value through other comprehensive income	14	11.530.618	8.593.584
Other financial assets at amortised cost	15	-	20.933.097
		<u>179.736.445</u>	<u>198.708.417</u>
Current assets			
Receivables	16	855	474.561
Other financial assets at amortised cost	15	22.788.018	-
Financial assets at fair value through profit or loss	17	65.377.556	38.192.971
Refundable taxes	11	493.578	240.670
Cash at bank and in hand	18	54.810.818	50.614.598
		<u>143.470.825</u>	<u>89.522.800</u>
Total assets		<u>323.207.270</u>	<u>288.231.217</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	74.053.211	59.053.211
Share premium		64.999.066	49.999.066
Share Capital redemption reserve		51.079.817	51.079.817
Fair value change on equity instruments designated at fair value through other comprehensive income		(7.798.237)	(1.140.762)
Translation reserve		44.220.288	39.384.371
Retained earnings		96.313.758	89.525.032
Total equity		<u>322.867.903</u>	<u>287.900.735</u>
Current liabilities			
Trade and other payables	20	339.367	330.482
		<u>339.367</u>	<u>330.482</u>
Total equity and liabilities		<u>323.207.270</u>	<u>288.231.217</u>

On 3 June 2022 the Board of Directors of Independent Oil & Resources Plc authorised these financial statements for issue.


 Jan Egil Moe
 Director


 Anastasia Demosthenous
 Director


 Robert Arnott
 Director

The notes on pages 11 to 32 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CHANGES IN EQUITY

31 December 2021

				Fair value reserve - Financial assets at fair value through other comprehensive income	Translation reserve	Retained earnings	Total
	Share capital	Share premium	Share Capital redemption reserve				
Note	NOK	NOK	NOK	NOK	NOK	NOK	NOK
Balance at 1 January 2020	59.053.211	49.999.066	51.079.817	(1.000.000)	43.351.550	32.326.131	234.809.775
Comprehensive income							
Net profit for the year	-	-	-	-	-	60.957.320	60.957.320
Other comprehensive loss for the year	-	-	-	(1.140.762)	(3.967.179)	(2.758.419)	(7.866.360)
Total comprehensive income for the year	-	-	-	(1.140.762)	(3.967.179)	58.198.901	53.090.960
Reclassification to retained earnings	-	-	-	1.000.000	-	(1.000.000)	-
Balance at 31 December 2020/ 1 January 2021	59.053.211	49.999.066	51.079.817	(1.140.762)	39.384.371	89.525.032	287.900.735
Comprehensive income							
Net profit for the year	-	-	-	-	-	9.448.401	9.448.401
Other comprehensive income/ (loss) for the year	-	-	-	(6.657.475)	4.835.917	(2.659.675)	(4.481.233)
Total comprehensive income/ (loss) for the year	-	-	-	(6.657.475)	4.835.917	6.788.726	4.967.168
Transactions with owners							
Issue of share capital	19 15.000.000	15.000.000	-	-	-	-	30.000.000
Total transactions with owners	15.000.000	15.000.000	-	-	-	-	30.000.000
Balance at 31 December 2021	74.053.211	64.999.066	51.079.817	(7.798.237)	44.220.288	96.313.758	322.867.903

Share premium and capital redemption reserves are not available for distribution.

The notes on pages 11 to 32 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CASH FLOWS

31 December 2021

		2021 NOK	2020 NOK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9.537.306	61.042.263
Adjustments for:			
Share of loss/(profit) from associates	13	3.652.551	(4.503.875)
Fair value (gains)/losses on financial assets at fair value through profit or loss	17	(9.240.006)	3.195.398
Reversal of expected credit losses on financial assets	15	(349.278)	(453.760)
Reversal of impairment of investment in associate	13	-	(57.706.228)
Foreign exchange (gains)/losses		(1.125.910)	691.449
Dividend income	17	(1.318.970)	(1.131.050)
Interest income	10,15	(4.246.056)	(3.560.015)
		(3.090.363)	(2.425.818)
Changes in working capital:			
Decrease/(increase) in receivables		473.706	(82.962)
Increase/(Decrease) in trade and other payables		8.885	(9.340)
		(2.607.772)	(2.518.120)
Cash used in operations			
Interest received		3.392.590	3.554.243
Dividends received		1.792.703	1.024.250
Tax paid		(341.813)	(155.405)
		2.235.708	1.904.968
Net cash generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of financial assets at fair value through profit or loss	17	(53.165.890)	(19.310.390)
Payment for purchase of financial assets at fair value through other comprehensive income	14	(11.632.523)	(10.025.848)
Payment for purchase of investments in associated undertakings	13	(1.500.000)	(999.600)
Loans granted	15	(40.000.000)	(45.000.000)
Loans repayments received	15	40.000.000	45.000.000
Proceeds from sale of financial assets at fair value through other comprehensive income	14	2.038.014	291.502
Proceeds from sale of investments in associated undertakings	13	999.600	-
Proceed from the sale of financial assets at fair value through profit or loss	17	35.221.311	17.886.371
		(28.039.488)	(12.157.965)
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	19	30.000.000	-
		30.000.000	-
Net cash generated from financing activities			
Net increase/(decrease) in cash and cash equivalents		4.196.220	(10.252.997)
Cash and cash equivalents at beginning of the year		50.614.598	60.867.595
Cash and cash equivalents at end of the year	18	54.810.818	50.614.598

The notes on pages 11 to 32 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. Incorporation and principal activities

Country of incorporation

Independent Oil & Resources Plc (the "Company") was incorporated in Norway on 14 October 1991, and on 14 February 2013, was redomiciled in Cyprus as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The re-domiciliation was done as a continuity both in accounting terms and tax terms. Its registered office is at Christodoulou Chatzipavlou 205, Loulloupis Court, 4th Floor, Office 401, 3036, Limassol, Cyprus.

Independent Oil & Resources Plc is listed on the OTC list on the Oslo Stock Exchange under the ticket code of IOTA. Following the relocation to Cyprus the Company changed its ISIN no. from NO 001 02480265 to CY 010 2470919.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the holding and trading of investments.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of, financial assets at fair value through profit or loss and its investments at fair value through other comprehensive income.

Operating Environment of the Company

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results, but the effect is not considered to be material.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment. Management will continue to monitor the situation closely.

3. Adoption of new or revised standards and interpretations

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

4. Significant accounting policies

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Investments in associates

The Company's investments in associated entities, in which the Company has significant influence, is accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Company determines whether there is objective evidence that the investments in associates is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment charge of investments in associates' in the profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Finance costs

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

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in NOK, which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on financial assets at fair value through other comprehensive income are recognised in other comprehensive income and then included in the fair value reserve in equity.

Income tax

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Income tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when the deferred taxes relate to the same taxation authority.

Distribution of non-cash assets to the owners

The Company recognises a liability to pay a dividend in the form of non-cash assets when the distribution is authorised and the distribution is no longer at the discretion of the Company. The Company measures the liability to distribute non-cash assets as dividends to its owners at the fair value of the assets to be distributed. The amount of dividend distribution is recognised directly in equity. Upon distribution, any difference between the fair value of the liability and the carrying value of the asset derecognised is recorded in profit and loss.

Financial instruments

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

Financial assets

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

The bond issued by the associate company Petrolia SE is classified as financial asset at amortised cost and the shares to Petrolia NOCO AS are classified as financial assets at fair value through other comprehensive income. All other financial assets are classified as measured at FVTPL.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "finance income". Foreign exchange gains and losses are presented in "foreign exchange gains/(losses)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within 'finance income/expenses' in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as Dividend income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "fair value changes" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income under "Reversal/ (loss) of expected credit losses on financial assets".

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Cash and cash equivalents

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

Financial assets at amortised cost

The Company's financial assets comprises of the bond issued by the associate company Petrolia SE. The Company measures financial assets at amortised cost when the objective is to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - Initial recognition and measurement

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

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

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

Trade and other payables

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

Offsetting financial instruments

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

Effective interest method

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

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Significant accounting policies (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Share capital

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

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. Adoption of new and revised standards and interpretations effective for the current period

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

Standards issued but not yet effective

Up to the date of approval of these financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Adopted by the European Union

- *IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS17 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023)*
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for annual periods beginning on or after 1 January 2022).*
- *Amendments to IFRS 16 Leases - Covid 19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective for annual periods beginning on or after 1 April 2021).*
- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform –Phase 2 (issued on 27 August 2020) (effective for annual periods beginning on or after 1 January 2021)*
- *Amendments to IFRS 4 Insurance Contracts– deferral of IFRS19 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2021)*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).*

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Adoption of new and revised standards and interpretations effective for the current period (continued)

(i) Adopted by the European Union (continued)

- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).*

(ii) Not adopted by the European Union

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) (effective for annual periods beginning on or after 1 January 2023).*
- *Amendments to IAS 12 - "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for annual periods beginning on or after 1 January 2023).*
- *Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)(effective for annual periods beginning on or after 1 January 2023)*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

6. Financial risk management

Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Market price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect the Company's income or the value of its holdings of financial instruments. As at the year end, the Company hold investments as shown in Note 17, which are affected by market price changes.

6.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and operating cash inflows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets and liabilities, other than the bonds shown in note 15 which carry fixed interest rate.

6.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily its investments in financial assets at amortised cost and cash at bank.

Credit risk related to financial cash deposits: Cash balances are held with reputable financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The table below shows an analysis of the Company's bank deposit by the credit rating of the bank in which they are held.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6. Financial risk management (continued)

6.3 Credit risk (continued)

	2021	2020
	NOK	NOK
<u>Bank group based on credit ratings by Moody's:</u>		
Bank of Cyprus : B2	299.548	375.198
Nordea Bank Norge ASA: A3	54.211.270	50.239.400
	<u>54.510.818</u>	<u>50.614.598</u>

Credit risk related to financial assets at amortised cost: This is managed based on established policies, procedures and controls relating to financial assets at amortised cost credit risk management. Credit quality of the financial assets at amortised cost is assessed and outstanding financial assets are regularly monitored in accordance with ECL method.

The Company does not hold collateral as security. Management concluded that there has not been a significant increase in credit risk since initial recognition. The Petrolia SE bond as stated in note 16 is due for repayment on 21 July 2022. Management has reviewed the financial performance and financial position of Petrolia SE, as well as its liquidity position and assessed that the bond is fully recoverable. In this respect any ECL is not significant and has not been booked.

6.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company has established procedures with the objective of maintaining a balance between continuity of funding and flexibility through the use of various investment products.

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

31 December 2021

	Total contractual cash flows	Within 1 year	1-5 years	More than 5 years
	NOK	NOK	NOK	NOK
Other creditors	123.301	123.301	-	-
	<u>123.301</u>	<u>123.301</u>	<u>-</u>	<u>-</u>

31 December 2020

	Total contractual cash flows	Within 1 year	1-5 years	More than 5 years
	NOK	NOK	NOK	NOK
Other creditors	126.702	126.702	-	-
	<u>126.702</u>	<u>126.702</u>	<u>-</u>	<u>-</u>

6.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to exchange rate fluctuations mainly connected to the value of NOK relatively to USD and Euro due to the fact that the Company has financial assets denominated in USD and Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6. Financial risk management (continued)

6.5 Foreign currency risk (continued)

The Company's exposure to foreign currency risk was as follows:

	2021	Assets 2020
	NOK	NOK
United States Dollars	22.893.932	21.261.547
Euro	193.634	46.748
	23.087.566	21.308.295

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity:

	Change in foreign currency rate	Assets NOK
2021		
Changes in monetary assets	10%	2.308.757
	(5)%	(1.154.378)
2020		
Changes in monetary assets	10%	2.130.830
	(5)%	(1.065.415)

6.6 Capital risk management

Capital includes equity shares and share premium and capital redemption reserve.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's overall objectives, policies and processes remained unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date.

Fair value measurements recognised in statement of financial position

The different levels of fair value hierarchy have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6. Financial risk management (continued)

Fair value measurements recognised in statement of financial position (continued)

Recurring fair value measurements recognised in the statement of financial position

31 December 2021	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Financial assets				
Financial assets at fair value through profit and loss	65.377.556	-	-	65.377.556
Financial assets at fair value through other comprehensive income	<u>11.530.618</u>	<u>-</u>	<u>-</u>	<u>11.530.618</u>
Total	<u>76.908.174</u>	<u>-</u>	<u>-</u>	<u>76.908.174</u>
31 December 2020	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Financial assets				
Financial assets at fair value through profit and loss	38.192.971	-	-	38.192.971
Financial assets at fair value through other comprehensive income	<u>8.593.584</u>	<u>-</u>	<u>-</u>	<u>8.593.584</u>
Total	<u>46.786.555</u>	<u>-</u>	<u>-</u>	<u>46.786.555</u>

The financial assets at fair value through other comprehensive income was defined as Level 1 based on its market value.

7. Critical accounting estimates and judgments

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

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

Judgments

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

- **Impairment of investments in associate companies**

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Critical accounting estimates and judgments (continued)

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Key assumptions and inputs include the probability of default of the counterparty, expected financial performance over 12 months and forecast economic conditions.

8. Other operating expenses

	2021	2020
	NOK	NOK
Staff costs (Note 9)	233.572	247.120
Municipality taxes	8.559	3.819
Insurance	722	766
Sundry expenses	108.689	115.802
Courier expenses	1.202	984
Newspapers and publications	5.397	5.686
Auditors' remuneration - current year	167.882	157.694
Auditors' remuneration - tax services	11.120	11.785
Auditors' remuneration - prior years	13.248	-
Accounting fees	168.691	179.191
Legal and professional	11.844	-
Directors' fees (Note 21.1)	268.798	288.355
Other professional fees	143.031	88.072
Fines	1.675	258
Travelling	15.119	33.479
Consultancy fees (Note 21.2)	1.427.500	1.388.750
	<u>2.587.049</u>	<u>2.521.761</u>

9. Staff costs

	2021	2020
	NOK	NOK
Salaries	203.278	215.883
Social security costs	30.294	31.237
	<u>233.572</u>	<u>247.120</u>

The average number of employees employed by the Company during the year was 1 (2020:1).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. Finance (costs) / income

	2021 NOK	2020 NOK
Bank interest income	8.834	7.404
Net foreign exchange gains	<u>644.380</u>	<u>-</u>
Finance income	<u>653.214</u>	<u>7.404</u>
Net foreign exchange losses	-	(565.222)
Sundry finance expenses	<u>(21.784)</u>	<u>(30.284)</u>
Finance costs	<u>(21.784)</u>	<u>(595.506)</u>
Net finance income/(cost)	<u>631.430</u>	<u>(588.102)</u>

11. Income tax

	2021 NOK	2020 NOK
Corporation tax - current year	<u>88.905</u>	<u>84.943</u>
Charge for the year	<u>88.905</u>	<u>84.943</u>

Statement of Financial Position

	2021 NOK	2020 NOK
Corporation tax refundable - current year	<u>493.578</u>	<u>240.670</u>

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

	2021 NOK	2020 NOK
Profit before tax	<u>9.537.306</u>	<u>61.042.263</u>
Tax calculated at the applicable tax rates	1.192.163	7.630.283
Tax effect of expenses not deductible for tax purposes	696.443	768.798
Tax effect of allowances and income not subject to tax	<u>(1.799.701)</u>	<u>(8.314.138)</u>
Tax charge	<u>88.905</u>	<u>84.943</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. Earnings per share

	2021	2020
Results attributable to equity holders of the entity (NOK)	9.448.401	60.957.320
Weighted average no. of shares	68.299.786	59.053.211
No. of shares at period end	74.053.211	59.053.211
Basic earnings per share (NOK per share)	0,14	1,03

13. Investments in associates

	2021	2020
At share of equity less impairment	NOK	NOK
Balance at 1 January	169.181.736	112.697.631
Additions	1.500.000	999.600
Disposals	(999.600)	-
Reversal of impairment	-	57.706.228
Currency translation differences	4.835.917	(3.967.179)
Share of other comprehensive loss	(2.659.675)	(2.758.419)
Share of results of associates after tax	(3.652.551)	4.503.875
Balance at 31 December	168.205.827	169.181.736

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2021 Holding %	2020 Holding %	2021 NOK	2020 NOK
Epsis AS (i)	Norway	Computer Software for Collaboration	22,48	22,48	1.500.000	545.365
Petrolia SE (ii)	Cyprus	Oil & Gas activities	45,97	45,97	132.047.440	135.579.943
Noco Oil & Resources Ltd (iii)	Cyprus	Oil & Gas activities	38,75	38,75	31.190.929	28.659.216
CO2 Management AS(iv)	Norway	Consulting activities	-	25	-	999.600
Rigloan Yields Ltd (v)	Cyprus	Investment holding	20	20	3.467.458	3.397.612
					168.205.827	169.181.736

(i) During the year, the Company has made an additional equity contribution of NOK 1.500.000. As the financial statements of Epsis AS are not yet prepared and audited and the company is loss making, management has recognised a share of loss of NOK 545.365 for the year and the carrying amount represents the additional equity contribution made during the year.

(ii) During 2021, the Company has not recognised any impairment charge (reversal of impairment charge 2020: NOK:57.706.228).

Management has assessed that there are no indications for impairment during the year.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

13. Investments in associates (continued)

The market value of Petrolia SE's shares as at 31 December 2021 was NOK4,65 per share (2020: NOK8,40) and as at 1 June 2022, NOK5,88. The decrease in market value is due to reasons other than impairments. The Company holds 27.182.571 shares (2020: 27.182.571) in Petrolia SE.

(iii) The accumulated impairment as at 31 December 2021 is NOK 225.203 (2020: NOK 225.203). Noco Oil & Resources Ltd has not prepared audited consolidated financial statements because of its subsidiaries registered in the United Kingdom, which are not required by local legislation to prepare and has not prepared audited financial statements. The preparation of consolidated financial statements will cause undue costs. The equity accounting is based on the management accounts of the associate.

(iv) In March 2020, the Company subscribed for 833 shares in CO2 Management AS, a company incorporated in Norway for a total amount of NOK 999.600. On 9 March 2021, the Company has disposed all the shares of the investment in CO2 Management AS at cost price to a related party.

(v) Accumulated impairment as at 31 December 2021 is NOK 56.961 (2020: NOK 56.961).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

13. Investments in associates (continued)

The Company does not have any contingent liabilities in relation to its interest in associates.

The Company does not have capital or other commitments in relation to its interest in associates.

2021

	Holding	Total assets	Total liabilities	Total net assets	Share of net assets
		NOK	NOK	NOK	NOK
Petrolia SE	45,97%	611.120.920	280.924.248	330.196.672	151.791.410
Epsis AS *	22,48%	-	-	-	1.500.000
Noco Oil & Resources Limited	38,75%	80.578.507	85.787	80.492.720	31.190.929
Rigloan Yields Limited	20%	17.421.922	84.633	17.337.290	<u>3.467.458</u>
TOTAL					<u>187.949.797</u>

	Holding	Income	Expenses	Results of the year	Share of net results	Comprehensive loss
		NOK	NOK	NOK	NOK	NOK
Petrolia SE	45,97%	442.763.282	452.821.590	(10.058.308)	(4.714.700)	(2.659.675)
Epsis AS *	22,48%	-	-	-	(545.365)	-
Noco Oil & Resources Limited	38,75%	16.966.648	12.803.915	4.162.733	1.613.460	-
Rigloan Yields Limited	20%	563.704	593.432	(29.728)	<u>(5.946)</u>	<u>-</u>
TOTAL					<u>(3.652.551)</u>	<u>(2.659.675)</u>

2020

	Holding	Total assets	Total liabilities	Total net assets	Share of net assets
	NOK	NOK	NOK	NOK	NOK
Petrolia SE	45,97%	611.146.306	261.256.717	349.889.589	160.844.244
Epsis AS	22,48%	7.367.000	4.368.000	2.999.000	624.175
Noco Oil & Resources Limited	38,75%	74.055.747	95.781	73.959.266	28.659.216
Rigloan Yields Limited	20%	16.898.064	29.427	16.868.637	3.373.727
CO2 Management AS	25%	<u>2.363.772</u>	<u>753.666</u>	<u>1.610.105</u>	<u>402.526</u>
TOTAL					<u>193.953.889</u>

	Holding	Income	Expenses	Results of the year	Share of net results	Comprehensive loss
		NOK	NOK	NOK	NOK	NOK
Petrolia SE	45,97%	571.512.257	573.499.797	(1.987.540)	2.658.350	(2.758.419)
Epsis AS	22,48%	20.379.000	21.541.000	(1.162.000)	(261.218)	-
Noco Oil & Resources Limited	38,75%	7.580.400	611.784	6.968.616	2.700.339	-
Rigloan Yields Limited	20%	29.994	185.248	(155.254)	(31.051)	-
CO2 Management AS	25%	<u>151.432</u>	<u>3.151.670</u>	<u>(3.000.238)</u>	<u>(562.545)</u>	<u>-</u>
TOTAL					<u>4.503.875</u>	<u>(2.758.419)</u>

* As the financial statements of Epsis AS are not yet prepared, the relevant information above has not been disclosed.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

14. Financial assets at fair value through other comprehensive income

	2021	2020
	NOK	NOK
Balance at 1 January	8.593.584	-
Additions	11.632.523	10.025.848
Disposals	(2.038.014)	(291.502)
Fair value change	(6.657.475)	(1.140.762)
Balance at 31 December	11.530.618	8.593.584

During 2021, the Company purchased 3.323.578 shares in Petrolia Noco AS for NOK 11.632.523 and at the same time sold 22.000 shares in Petrolia Noco AS for NOK 77.000. Shares were sold at cost price of NOK 3,50 each.

During the year the Company recognised a fair value loss of NOK 8.618.489 (2020: loss of NOK 1.432.264) in the investment, by reference to its market value.

During 2020, the Company has acquired 2.864.528 shares of Petrolia NOCO AS for NOK 10.025.848.

During 2021, the Company sold the non-listed investment in Helsetelefonen AS which has been previously fully impaired, for NOK1.961.014.

15. Other financial assets at amortised cost

	2021	2020
	NOK	NOK
Balance at 1 January	20.933.097	21.074.530
Loan granted	40.000.000	45.000.000
Repayments received	(40.000.000)	(45.000.000)
Interest income	4.237.222	3.552.611
Interest received	(3.383.756)	(3.546.839)
Exchange differences	652.177	(600.965)
Reversal of expected credit losses on financial assets	349.278	453.760
Balance at 31 December	22.788.018	20.933.097
Less non-current portion	-	(20.933.097)
Current portion	22.788.018	-

The Company owns bonds issued by the associate company Petrolia SE. At 31 December 2021, the Company held 2.510.045 (2020:2.510.045) bond with carrying amount NOK 21.435.323 (2020: NOK 20.440.857) and accrued interest of NOK 508.859 (2020: NOK 492.240). The interest income for the year amounted to NOK 1.305.715 (2020: NOK 1.374.529).

Petrolia SE bonds carry interest at 6% per annum and have maturity date on 21 July 2022. A reversal of expected credit losses on financial assets was recorded in the year with regards to the Petrolia SE bond. Management assessed that since the bond is near its maturity and no extension notification was sent and also by reference to Petrolia's financial position, there is no credit risk and any expected credit losses will be immaterial.

On 2 March 2020, the Company entered into an addendum to the fully repaid loan agreement dated 10 July 2019 with Petrolia Noco AS for additional loan of NOK 20.000.000. On 14 May 2020, the Company entered into an additional loan agreement with Petrolia NOCO AS for an amount of NOK20.000.000. On 17 July 2020, the Company entered into an addendum of the already existing loan agreement with Petrolia NOCO AS for an additional amount of NOK5.000.000. The associate company withdrew the amount in three instalments, on 2 March 2020, 22 June 2020 and 20 July 2020, for a total amount of NOK 45.000.000. The loan principal along with the interest for a total of NOK47.178.082 was fully repaid. Interest income for 2020 amounted to NOK2.178.082.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

15. Other financial assets at amortised cost (continued)

During 2021, the Company based on the loan agreement dated 14 May 2020 and the accession letter signed in the year, withdrew the amount of NOK 40.000.000 in three instalments, on 25 February 2021, 24 March 2021 and 22 April 2021. The loan principal of NOK 40.000.000 was fully repaid during the year. The total interest income recognised amounted to NOK 2.931.507 out of which the amount of NOK 843.836 remains receivable at year end. Interest has been fully repaid on 4 February 2022.

16. Receivables

	2021	2020
	NOK	NOK
Receivables from related companies (Note 21.3)	855	828
Dividends receivables	-	473.733
	<u>855</u>	<u>474.561</u>

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

17. Financial assets at fair value through profit or loss

	2021	2020
	NOK	NOK
Investment in shares		
Balance at 1 January	38.192.971	39.964.350
Additions	53.165.890	19.310.390
Disposal proceeds	(35.221.311)	(17.886.371)
Change in fair value	9.240.006	(3.195.398)
Balance at 31 December	<u>65.377.556</u>	<u>38.192.971</u>

The investment in shares relate to marketable securities and are valued at market value at the close of business on 31 December by reference to Oslo Stock Exchange quoted bid prices.

The total acquisition cost before the fair value adjustments is NOK 69.625.445 (2020: NOK46.963.118).

During the year, the Company received dividends from its investments in listed shares totalling to NOK1.318.970 (2020: 1.131.050).

18. Cash at bank and in hand

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2021	2020
	NOK	NOK
Cash at bank and in hand	<u>54.810.818</u>	<u>50.614.598</u>
	<u>54.810.818</u>	<u>50.614.598</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

19. Share capital

	2021	2021	2020	2020
	Number of shares	NOK	Number of shares	NOK
Authorised				
Ordinary shares of NOK1,00 each (2020:NOK1,00 each)	95.833.630	95.833.630	95.833.630	95.833.630
Issued and fully paid				
Balance at 1 January	59.053.211	59.053.211	59.053.211	59.053.211
Issue of shares	15.000.000	15.000.000	-	-
Balance at 31 December	74.053.211	74.053.211	59.053.211	59.053.211

Associate companies hold 16.050.000 shares constituting 21,67% of the total issued share capital of the Company (Note 21).

Share premium amounted to NOK 64.999.066 (2020: 49.999.066).

On 14 May 2021, the Board decided to proceed with a fresh issue of shares, utilising the authorisation granted to the Board by the EGM held on 28 April 2021. The right issue comprised an offering of up to 15.000.000 new shares, with a subscription price of NOK 2,00 per share. The Board has decided not to engage any broker house for the right issue but will carry out the rights issue itself. The invitation for this right issue was sent to the 149 largest shareholders in the Company as of 28 April 2021. The proceeds from the new issue of shares amounted to NOK 30.000.000 including share premium of NOK 15.000.000. The subscription period in the offering has last from and including the 28 April 2021 to and including the 21 May 2021.

On 21 May 2021, the 15.000.000 shares were finally allocated to 29 existing shareholders who have indicated their interest to participate in the issue.

20. Trade and other payables

	2021	2020
	NOK	NOK
Trade payables	1.708	-
Social insurance and other taxes	4.308	4.516
Accruals	210.050	199.263
Other creditors	123.301	126.703
	339.367	330.482

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

21. Related party balances and transactions

Shareholders	No of shares 31/12/2021	No of shares 31/12/2020	No of shares 31/05/2022	Shareholding 31/12/2021	Shareholding 31/12/2020	Shareholding 31/05/2022
1. Increased Oil Recovery AS	36.715.582	29.278.582	36.715.582	49,58%	49,58%	49,58%
2. Noco Oil & Resources Ltd	16.050.000	12.800.000	16.050.000	21,67%	21,67%	21,67%
3. Time Critical Petroleum Resources	14.422.734	11.623.463	14.422.734	19,48%	19,68%	19,48%
4. Other shareholders with shareholding under 1%	<u>6.864.895</u>	<u>5.351.166</u>	<u>6.864.895</u>	<u>9,27%</u>	<u>9,07%</u>	<u>9,27%</u>
Total number of shares	<u>74.053.211</u>	<u>59.053.211</u>	<u>74.053.211</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The chairman of the Company, Jan Egil Moe, holds the 0,41% of the shares of the Company.

In addition to the related party transactions and balances reported in note 13 and 16, other related parties transactions are as follows:

21.1 Directors' remuneration (note 8)

The remuneration of Directors and other members of key management was as follows:

	2021	2020
	NOK	NOK
Directors' fees	268.798	288.355
Directors' remuneration	<u>233.572</u>	<u>247.120</u>
	<u>502.370</u>	<u>535.475</u>

21.2 Purchases of services (Note 8)

	2021	2020
	NOK	NOK
Janem AS (shareholder)	<u>1.427.500</u>	<u>1.388.750</u>
Nature of transactions Consultancy fees	<u>1.427.500</u>	<u>1.388.750</u>

21.3 Receivables from related parties (Note 16)

Name	2021	2020
	NOK	NOK
Heavy Minerals Limited	<u>855</u>	<u>828</u>
Nature of transactions Financing	<u>855</u>	<u>828</u>

22. Contingent liabilities

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

23. Commitments

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

24. Events after the reporting period

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

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

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

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries. The increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

The Company regards these events as non-adjusting events after the reporting period, the quantitative impact, in relation to all significant assets and liabilities, estimated as at the date of issue of these financial statements as not material.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the additional measures as a fall-back plan in case the crisis is become prolonged.

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

Independent auditor's report on pages 4 to 6