

Interim report January - June 2022

January – June 2022

- Total revenue: SEK 30 (30) million
- Operating result: SEK -262 (-6) million
- Operating result excluding write down: SEK -1 (3) million *
- Net income: SEK -241 (-8) million
- Net income excluding write down: SEK -1 million (1) *
- Earnings per share: SEK -8.1 (-0.3)

**in 2022 the company impaired most of the oil and gas assets as well as exploration and evaluation assets in Bashkiria because of the high risk profile of the future business operations in the existing political and oil market situation in Russia and no access to debt and equity resources in EU and Russia for the business development, SEK 261.4 million.*

| | 2022 | | | | | | Jan-Jun 2021 | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Jan | Feb | Mar | Apr | May | Jun | TOTAL | TOTAL |
| Total production | | | | | | | | |
| Bashkiria | 6 879 | 6 409 | 6 328 | 6 433 | 6 087 | 8 344 | 40 480 | 51 581 |
| Komi | 21 444 | 18 818 | 19 701 | 19 165 | 19 956 | 19 085 | 118 169 | 129 560 |
| Total barrels | 28 323 | 25 227 | 26 029 | 25 598 | 26 043 | 27 429 | 158 649 | 181 141 |
| Average per day, bbl | | | | | | | | |
| Bashkiria | 222 | 229 | 204 | 214 | 196 | 278 | 224 | 285 |
| Komi | 692 | 672 | 636 | 639 | 644 | 636 | 653 | 716 |
| Total barrels per day | 914 | 901 | 840 | 853 | 840 | 914 | 877 | 1001 |

Statement from CEO

Dear Shareholders,

For the first time since I joined the Company in 2017 I have to tone down my optimism and acknowledge a great uncertainty that our Company is now facing. In spite of a very difficult environment we have managed to make some operational achievements such as successfully completing the seismic program, maintaining the operational efficiency, and reducing the impact of a highly volatile oil market on our cash flow, however, the sanctions war has become a major obstacle to the long-term success, and even survival of Petrosibir.

Although the new seismic report identifies a few promising exploration targets and provides a much better understanding of the fields, substantially reducing the risks of drilling production wells, the EU sanctions have banned any investment in the Russian oil and gas sector, making it impossible for an uncertain period of time to raise any debt or equity financing to unveil the assets potential. This situation does not leave us many options but to divest the assets, if possible, or keep the business alive for as long as possible with the hope the situation improves.

Pavel Tetyakov, CEO

Financial information January – June 2022

The consolidated financial information in this interim report has been prepared in accordance with IAS 34 and in accordance with the same accounting principles, IFRS, that were applied for the financial year 2021 and as they are described in the annual report for 2021.

Economic environment and market outlook

- Oil market in Russia is under pressure of reduced oil demand and discounted oil prices. The oil sales in both Bashkiria and Komi were affected by this since spring 2022. The pressure on the market is expected to increase when the EU embargo comes in force. Urals discount to Brent has gone up from the historic 2\$/bbl to 25-35\$/bbl.
- Operating expenses are influenced by high inflation rate reaching 16% year-on-year in June 2022. Mineral Extraction Tax (MET) rate in the first half of 2022 increased by 2\$/bbl vs. the same period a year ago as a result of the continuing tax maneuver (tax reform), which assumes gradual increase of the MET rate with simultaneous reduction of export duties.
- RUB, as our main operating currency, significantly strengthened vs. majority of currencies. Since the beginning of 2022 RUB appreciated vs. SEK by 63% thus substantially impacting Balance sheet items and respective FX translation differences.
- Payment terms for oil sales changed from 100% upfront payment to 15-60 days delay after the beginning of the month that put additional pressure on the cash flow.
- The Russian banking system was heavily affected by the sanctions imposed in spring 2022. The banks of the Company's subsidiaries limited certain operations including those with USD and EUR. While there are no issues with domestic transactions within Russia, it is impossible to execute payments to the EU in other than in RUB currency and in excess of RUB 10 mln. per month. Certain types of payments to the EU, e.g. dividends and interest, are prohibited, executing cross-border payments gets longer and more complicated in general.
- The operating bank of the parent Company based in the EU so far has accepted RUB payments from Russia yet demanding total RUB balance to be below EUR 100 thousand equivalent. Any RUB balances held with EU-based banks cannot be guaranteed in the event of further currency restrictions, either due to sanctions or other introduced measures to restrict access to RUB.
- Currently the Russian oil and gas M&A market is quiet with uncertain recovery period. A few large international players have exited Russian projects fixing the losses.
- Recent legislation changes in Russia, amongst a range of other restrictions, prohibited the sale of interest in companies engaged in oil processing industry until the end of 2022. While not yet announced, similar restrictions can be anticipated for oil producing companies. A non-negligible risk is the potential forced external control over assets held by non-Russian companies, or even full nationalisation of assets now proposed in some law drafts.
- The EU sanctions now prohibit any investment, both debt and equity, in the Russian oil and gas industry.
- Raising debt in Russia for the EU-based companies is not practically possible without a sufficient liquid Russia-based collateral.
- Subsidiaries in Komi struggle with similar financing issues, burdened by the existing external debt. 1Oil group, 51% shareholder of Ripiano, plans to transfer holding companies (including 1Oil and Ripiano itself) from Cyprus to Russia in the coming months.

Consolidated information

Revenue for the period January - June 2022 amounted to SEK 29,951 (30,356) thousand and the Company's operating costs amounted to -292,416 (-35,893) thousand. Excluding the impairment of O&G exploration and fixed assets in Bashkiria in the amount of SEK -261,422 the operating result was -1,044 (3,083) thousand. Impairment value is above the impaired assets balance at the end of 2021 as it was estimated on the basis of strengthened RUB over SEK at the end of the period. Net impact from RUB appreciation is presented under FX translation differences position in the consolidated statement of comprehensive income. The average Brent oil price January - June was 104 USD per barrel compared to USD 65 in the same period in 2021. Higher oil prices led to both higher revenue and Mineral Extraction Tax (MET) (included in operating expenses). Excluding this production tax, the operating costs both in Russia and Sweden remained stable with a slight decrease down to SEK -12,572 thousand compared to SEK -12,967 thousand in the same period in 2021.

During the period Petrosibir continued its oil trading activities. The gross revenue from the oil trading amounted to SEK 47,600 (44,094) thousand with the net result of SEK 2,895 (4,863) thousand reported in revenue. Petrosibir traded the total of 76,300 (109,300) barrels of oil.

The volatile and highly uncertain oil and gas market situation in Russia impacted by sanctions, on one side, and the mutual financial restrictions imposed by the EU and Russia restricting access to capital, on the other side, which may remain in place for an indefinite period of time, caused a substantial revision of the assets' valuation model and the need of impairment tests for both Bashkiria and Komi. With the current accelerated production decline across all the fields, downward pressure on domestic oil prices, limited cash balance, lack of opportunity to raise significant capital for development programs, including production and exploration drilling, and large external debt previously acquired for developing the Komi licences the Company is at risk of running out of cash within next 12-18 months. Suspension of the obligatory licence development activities stipulated by the licence terms, will also increase the risk of licences revocation. The consequent revaluation and impairment of the Company's assets resulted in a reduction of Bashkiria assets value in the amount of SEK -261,422 thousand down to the value of SEK 8,700 thousand and in a full writedown of investments in Ripiano (holding company for 49% share of assets in Komi) in the amount of SEK 73,698 thousand.

The impairment exercise which was completed in the end of August 2022 and the resulting substantial impairment and writedown of assets on the group level causes the immediate need to recognise similar impairments at the parent company level affecting the value of shares held in group companies. With a high registered share capital amounting to 180 807 SEK thousand these impairments are likely to cause the total equity of the parent company to fall below half of the registered share capital. The suspicion of this deficit obligates the management to produce a control balance sheet to be put forward at a general meeting of shareholders where it is to be decided on the future of the company. At the same time, to remedy the deficit, there will be a recommendation to the shareholders to decide on the reduction of the majority of the registered share capital. The registered share capital is deemed to be unnecessarily high given the reduced size and diminishing returns of the company.

Equity at the end of the period resulted in SEK -17,225 (205,848) thousand. However, it should be noted that Petrosibir and Geoservis agreed in July 2022 to convert the loans related to drilling of the two wells on Yanbayskoye field over 2020-21 into the capital of LLC Company Ufa Petroleum. Relevant transactions will be reflected in 2022 year-end report. Total converted debt amounted to SEK 53 million of which SEK 20 million attributed to Petrosibir. Following the transaction, the group equity will get back positive.

The Company's consolidated cash position on June 30, 2022 amounted to SEK 27,509 thousand compared to SEK 32,320 thousand on June 30, 2021. During the period there were no material investments made in the business except for the remaining payments for the field seismic works. Excluding exchange rate differences on currencies, free cash flow in the period was SEK -2,332 (2,846). The negative cash flow was mainly a result of changed payment terms for oil sales, as advance payments have been replaced by deferred payments.

Shareholders' equity per share at June 30, 2022 was SEK -0.58 (6.91).

Bashkiria

January - June 2022

Revenue in the period amounted to SEK 29,951 (30,356) thousand. The operating costs amounted to SEK -28,716 (-24,682) thousand, leading to an operating result of SEK 1,235 (5,674) thousand. The operating margin amounted to 4% (19%).

A total of 40,480 (51,581) barrels of oil was produced in Bashkiria within the January – June 2022 period, with 39,915 (51,170) barrels of oil sold. Production of oil in the period declined by -22% vs. the same period a year ago. The decline was caused by natural depletion, it was partially compensated by an increase from fracking Yanbayskaya-1 well, although the program results fell below expectations.

During the period the average Brent price of oil was USD 104 per barrel compared to USD 65 per barrel in the same period 2021. Higher oil price and stronger RUB offset lower volumes resulting in slightly higher revenue in the period compared to the prior year.

The oil trading activities during the period have reduced in volume by -30% but slightly grown in value. Over the first six months of 2022 the oil trading resulted in gross revenue of SEK 47,600 (44,094) thousand with the net margin of SEK 2,895 (4,863) thousand.

Below are the income statements for the operations in Bashkiria for the period January – June 2022 and 2021, amounts in SEK thousand.

| Bashkirian operations | Jan-June | |
|-------------------------------|-----------------|--------------|
| | 2022 | 2021 |
| Revenue own production | 27,056 | 25,492 |
| Revenue oil trading, net | 2,895 | 4,863 |
| Raw materials and consumables | -18,423 | -14,306 |
| Other operating expenses | -10,293 | -10,376 |
| Operating profit | 1,235 | 5,674 |
| Operating margin | 4% | 19% |

In the first half of 2022 the Company benefited from the increased oil prices and RUB strengthening which jointly compensated production and sales volume decline along with downsized trading activities. Tight cost control allowed to partially restrain the accelerated inflation. The resulting operating margin for the period was 4% (19%) of sales. Although the Company continues its efforts to optimise the management of the existing wells fund to slow down and stabilise the production decline, it is no longer possible to achieve improvement without drilling new production wells.

With an attempt to increase production on the new Yanbayskoye field, the only well was successfully fracked in April 2022 with +40% production increase, yet well below initial expectations especially for the Kyn-Pashyisky interval. After completion of the field operations at the end of 2021, 2D and 3D seismic data processing and interpretation was completed in August 2022 with mixed results. The Yanbayskoye field is now seen as one common structure vs. two separate structures envisioned previously, thus providing a fair chance for reserves base increase. Another encouraging result is that the Ayazovskoye field model has not changed significantly but is now better understood that is likely to result in a slight reserves increase and lower risks in case of drilling wells. The Ayskoye field, on the contrary, fell apart into three different structures with reserves likely to be considerably below the current state balance.

Komi

Petrosibir owns 49% of the operations in the republic of Komi, a Russian region. Petrosibir's wholly owned subsidiary Sonoyta Ltd owns 49% of Ripiano Holdings Ltd which in turn owns 100% of Dinyu LLC and CNPSEI LLC.

The information flow from Ripiano continues to be limited, including both operational and financial information.

January - June 2022

In the first half of 2022 the Company continued focusing on slowing down production decline by converting a few wells into water injectors. These efforts will continue in the second half of the year.

Faster than prognosed production decline post fracking on Sosnovskoye caused re-evaluation of the field geological model and reduction of recoverable reserves by 57% in 2021 as well as suspension of drilling plans. The next stage of the drilling campaign in Sosnovskoye field is planned for 2024-25.

Dinyu-Savinoborskoye field has been shut down since April 2020 for economic reasons which prevent re-start of operations even at high oil prices due to very small anticipated production. The company keeps evaluating the exploration potential of the Ivanshorskoy licence block surrounding the Dinyu-Savinoborskoye field with some new potential well locations identified.

Financial results of the Komi operations to the large extent also affected by the increased operator charges by Pechoraneftegaz, the company controlled by the majority shareholder of Ripiano. Furthermore, Pechoraneftegaz is also a large external creditor for subsidiaries in Komi with total loan and net payables value exceeding SEK 133,648 thousand at the end of 2021.

Significant events occurring after the reporting period

Petrosibir and Geoservis, 49% partner in LLC Company Ufa Petroleum, agreed in July 2022 to convert the loans related to drilling of the two wells on Yanbayskoye field over 2020-21 into the capital of LLC Company Ufa Petroleum. Relevant transactions will be reflected in 2022 year-end report.

Risk factors and uncertainties

A detailed account of the risks facing the Company can be found in the 2021 annual report. Additional risks since March 2022 up until today that will remain in place for an uncertain time period, can be retrieved from the “economic environment and market outlook” section on the page 2 of the report. Summarising, they include:

- Uncertainty as to the Russian export and domestic oil market sales in terms of both volume and pricing.
- Negative impact of high inflation and deferred payment for oil on the Company’s profitability and cash flow.
- Various restrictions imposed on the banking system in both Russia and EU limiting transfer of cash and free choice of currencies.
- The current corporate group structure makes it almost impossible to raise capital, both debt and equity, in Russia and EU for the assets development.
- The escalation of sanctions and legislation changes in Russia imposing restrictions on the divestment of the Russian assets/companies engaged in certain activities, with possible extension to introducing external government control over the management and even full nationalisation of assets.

This information was released for publication on 12 September 2022 at 17:00 CET.

This report has not been reviewed by the Company’s auditors.

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About Petrosibir

Petrosibir is a Swedish company focused on exploring and developing concessions in Russia. The company holds licences in the Russian republics of Bashkiria and Komi. Petrosibir's 2P oil and gas reserves amount to 33.6 million barrels of oil equivalent or 35.4 million barrels of ABC1+C2 Russian State Balance Reserves (similar to 2P reserves under SPE PRMS standards). The Petrosibir share is traded on the OTC-list at beQuoted starting from 17 February 2016 under the symbol PSIB-B.

Petrosibir's exploration and production portfolio

| Product | | Net reserves as of 30 June 2022, MMBOE | | | | Working interest |
|----------------------|-----|--|-------------|-------------|-------------|------------------|
| Licence | | 1P | 2P | 3P | AB1+B2 | C1+C2 |
| Ayazovskoye | Oil | 6,0 | 21,5 | 39,7 | 8,1 | 100% |
| Ayazovskoye | Gas | 1,0 | 4,0 | 7,0 | | 100% |
| Ayskoye | Oil | | | | | 7,3 100% |
| Yanbayskoye | Oil | | | | | 4,9 51% |
| Dinyu-Savinoborskoye | Oil | 1,4 | 2,7 | 4,0 | 8,2 | 49% |
| Sosnovskoye | Oil | 1,0 | 4,4 | 7,5 | 6,1 | 49% |
| Yuzhno-Tebukskoye | Oil | 0,6 | 0,9 | 1,3 | 0,8 | 49% |
| Total | | 9,9 | 33,6 | 59,4 | 23,2 | 12,2 |

The amounts may not add up due to roundings.

Note on the reserves and resources calculation

Amounts are reported in millions of barrels of oil equivalent. Reserves refer to the amounts of oil and gas attributable to Petrosibir's share in the fields where the company conducts joint operations via joint ventures. Where applicable the calculations in the assessments have been made in accordance with SPE PRMS. AGR TRACS has made the assessment for Ayazovskoye field (2014). DeGolyer & MacNaughton made assessment of the Dinyu-Savinoborskoye, Sosnovskoye and Yuzhno-Tebukskoye licences (2017).

**CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

| SEK thousand | Jan-Jun 2022 | Jan-Jun 2021 | Jan-Dec 2021 |
|--|---------------------|---------------------|----------------------|
| Total revenue | 29,951 | 30,356 | 63,529 |
| Raw material and consumables | -18,423 | -14,306 | -30,177 |
| Personnel costs | -4,275 | -3,860 | -7,868 |
| Other external expenses | -7,339 | -8,072 | -15,404 |
| Depreciation | -958 | -1,035 | -2,251 |
| Impairment and disposals | -261,422 | -8,620 | -8,620 |
| Operating expenses | -292,416 | -35,893 | -64,320 |
| Operating result | -262,465 | -5,537 | -791 |
| Financial income | 2,732 | 294 | 311 |
| Financial expenses | -1,980 | -673 | -1,762 |
| Total financial items | 752 | -379 | -1,451 |
| Result before tax | -261,714 | -5,916 | -2,242 |
| Income tax | 20,635 | -1,906 | -397 |
| Result for the period | -241,079 | -7,822 | -2,639 |
| Other comprehensive income | | | |
| Re-evaluation of equity instruments | -73,698 | 0 | 0 |
| Translation differences | 81,608 | 6,647 | 11,560 |
| <i>Total items which may be or have been re-classified to result for the period</i> | <i>7,910</i> | <i>6,647</i> | <i>11,560</i> |
| Total comprehensive income for the period | -233,169 | -1,175 | 8,921 |
| Earnings per share | -8.10 | -0.26 | -0.09 |
| Average number of shares | 29,773,862 | 29,773,862 | 29,773,862 |
| Result for period attributable to | | | |
| shareholders of the parent company | -241,079 | -7,822 | -2,639 |
| non-controlling interests | 0 | 0 | 0 |
| | -241,079 | -7,822 | -2,639 |
| Total other comprehensive income attributable to | | | |
| shareholders of the parent company | -233,169 | -1,175 | 8,921 |
| non-controlling interests | 0 | 0 | 0 |
| | -233,169 | -1,175 | 8,921 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEK thousand | June 30 2022 | June 30 2021 | Dec 31 2021 |
|--|-----------------|-----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Exploration and evaluation assets | 2,987 | 31,399 | 55,297 |
| Oil and gas assets | 5,712 | 110,916 | 113,994 |
| Other fixed assets | 1,918 | 1,471 | 1,567 |
| Deferred tax assets | 0 | | |
| Investment in equity instruments | 0 | 73,698 | 73,698 |
| Total non-current assets | 10,617 | 217,484 | 244,556 |
| Current assets | | | |
| Inventory | 2,179 | 817 | 700 |
| Other current receivables | 18,126 | 2,700 | 3,567 |
| Cash and cash equivalents | 27,509 | 32,320 | 21,023 |
| Total current assets | 47,814 | 35,837 | 25,290 |
| Total ASSETS | 58,431 | 253,321 | 269,846 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to shareholders | | | |
| Share capital | 180,806 | 180,807 | 180,807 |
| Other paid in capital | 274,378 | 274,379 | 274,379 |
| Reserves | -129,195 | -142,021 | -137,107 |
| Retained earnings | -343,214 | -107,318 | -102,135 |
| Total equity | -17,225 | 205,848 | 215,944 |
| Non-current liabilities | | | |
| Non-current loans | 53,584 | | 6,825 |
| Deferred income tax liabilities | 0 | 14,794 | 13,530 |
| Other provisions | 1,902 | 1,605 | 1,115 |
| Total non-current liabilities | 55,485 | 16,399 | 21,470 |
| Current liabilities | | | |
| Accounts payable | 6,644 | 694 | 3,188 |
| Current loans | 2,420 | 22,295 | 22,152 |
| Other current liabilities | 11,106 | 8,085 | 7,092 |
| Total current liabilities | 20,170 | 31,074 | 32,432 |
| Total EQUITY AND LIABILITIES | 58,431 | 253,321 | 269,846 |
| Shareholders' equity per share | -0.58 | 6.91 | 7.25 |

**CONDENSED
CONSOLIDATED
STATEMENT OF
CASH FLOW**

| SEK thousand | Jan- June 2022 | Jan- June 2021 | Jan- Dec 2021 |
|---|-------------------------------|-------------------------------|------------------------------|
| Cash flow from operation activities | | | |
| Before change in working capital | -79 | -4,735 | 742 |
| Change in working capital | -2,624 | 857 | -559 |
| Cash flow from operation activities | -2,703 | -3,878 | 183 |
| | | | - |
| Investments in oil and gas assets | -3,047 | 0 | 20,383 |
| Sale of fix assets | 0 | 394 | |
| Cash flow from investing activities | -3,047 | 394 | 20,383 |
| Cash flow from financial activities | 3,417 | 6,330 | 11,182 |
| Cash flow for the period | -2,332 | 2,846 | -9,018 |
| Cash and cash equivalents at beginning of the period | 21,023 | 27,721 | 27,721 |
| Cash flow for the period | -2,332 | 2,846 | -9,018 |
| Exchange differences in cash and cash equivalents | 8,819 | 1,753 | 2,320 |
| Cash and cash equivalents at end of the period | 27,509 | 32,320 | 21,023 |

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

| SEK thousand | 2022 | 2021 |
|---|----------------|----------------|
| Opening balance January 1 | 215,944 | 207,023 |
| Total comprehensive income for the period | -233,169 | -1,175 |
| Closing balance June 30 | -17,225 | 205,848 |

Notes to the financial statements

Note 1. Information about the company

Petrosibir AB (publ) is a Swedish legal entity, with corporate identity number 556468-1491 and registered office in Stockholm, Sweden. The Petrosibir share of series B is traded OTC at beQuoted under the ticker PSIB-B. The company and its subsidiaries' operations are described under "About Petrosibir" herein.

Note 2. Accounting principles

The interim report has been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Reports Act. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act and the recommendation RFR 2 "Financial Reporting for Legal Entities" issued by the Swedish Financial Reporting Board (Sw. *Rådet för finansiell rapportering*).

The same accounting principles have been applied during the period as were applied during the financial year 2021 and in the way they were described in the 2021 annual report. No new or revised standards, interpretations or amendments adopted by the EU had an effect on the group.

The interim report does not contain all the information that appears in the annual report and, accordingly, the interim report should be read in conjunction with the 2021 annual report.

Note 3. Fair value

Financial instruments are classified in the following categories:

| | June 30 | |
|-------------------------------|---------------|----------------|
| | 2022 | 2021 |
| Loans and account receivables | 43,543 | 32,544 |
| Non-current financial assets | 0 | 73,698 |
| Total Assets | 43,543 | 106,241 |
| Other financial liabilities | -9,064 | -21,088 |
| Total Liabilities | -9,064 | -21,088 |

The reported values equal, in all material respects, the fair value. Petrosibir has not offset any financial assets and liabilities and has no agreements that allows set-off.

Note 4. Related party transactions

There have been no related party transactions.