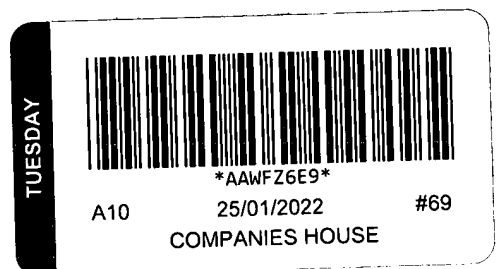


Company Registration No. 05835764 (England and Wales)

PETRICORE LIMITED AND SUBSIDIARIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



PETRICORE LIMITED AND SUBSIDIARIES

COMPANY INFORMATION

Directors	Mr B E Osthus Mr J D Lawrence Mr O S Hjelmeland Mr R P O Welsvik
Company number	05835764
Registered office	Gable House 239 Regents Park Road London N3 3LF
Auditor	BoseCo 309 Regents Park Road London N3 1DP

PETRICORE LIMITED AND SUBSIDIARIES

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PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The group saw its sales increase in 2020 by 10% to \$25m, a modest growth reflecting stable and positive sentiment in the oil and industry during the year ended 31 December 2020. This was mainly driven by strong performance from Mexico Laboratory and Mexico Wellsite, where total revenue increased by 16% compared to previous year. Activity in the industry especially in Mexico continue to increase, where Pemex continues to be very active, as well as International Oil Companies commencing activities in their blocks.

Laboratory operation in Abu Dhabi was discontinued and management will be placing the company into formal liquidation in early 2022.

Statement relating to the directors' responsibilities under Section 172 of the Companies Act

The directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The directors' section 172 duties are part of Board discussions.

Annual budgets and short-term forecasts are updated through each year as part of the group's strategic planning process. These plans target increasing shareholder value through ongoing investment in both existing business and development of new services. Increasing shareholder value will benefit all stakeholders as business growth is designed to ensure operational resilience, providing greater opportunities for employees, improved service offering to our customers and volume to our supply chain.

The directors continue to have regard to the interest of the group's key stakeholders and, throughout the year, the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups and their material issues. The group engages with and considers the interest of each stakeholder group.

- **Investors and lenders**

The beneficial owners and shareholders with the majority voting rights of the ordinary share capital are;

Geological Investments Ltd – 8.01%
Staur Asset Management AS – 23.60%
Hauken Consult AS are the ultimate – 12.08%
Pareto Energy Solutions AS - 18.15%

The group continues to make losses but manages to sustain a positive Cash during the year.

- **Employees**

The directors consider the employees to be the group's most valuable asset and ensure they are kept informed of performance, progress and developments through regular briefings with managements.

We engage with our employees by focusing on (i) the setting of performance goals that are aligned with the group's strategic objectives and (ii) the setting of employee development goals in a road map to ensure their career aspirations are achievable.

We continue to invest in the development of our employees to ensure they achieve their full potential and can have long and fulfilling careers with us.

During 2020 the group has continued this focus, wherever possible, on the retention and development of the workforce to position the business for stability and sustainable growth as market conditions improve.

- **Customers**

Customers are critical to the group's success with strong relationships maintained through regular interactions to better understand both current and future requirements. This ensures we continue to provide a market leading service whilst working to the same core values, safety and quality standards.

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement relating to the directors' responsibilities under Section 172 of the Companies Act (continued)

- **Suppliers**
A strong supply chain is similarly critical to the group's success and we are committed to fair and ethical treatment. Our approved supplier list is reviewed on a regular basis in conjunction with our quality system to identify and resolve any potential supply chain issues and we actively work with suppliers to address and overcome any issues identified.
- **Other stakeholders**
We are committed to protecting and supporting the environments and communities in which we work; to looking after our people and to behaving responsibly in all our business dealings. We execute continuous improvement in environmental management, performance and culture. We understand our impact and responsibilities to the environment and ensure best practise is implemented.
- **Other stakeholders (continued)**
In 2020 we continued our commitment to reducing our impact on the environment pursuing initiatives which included reduction in energy consumption, reduction in water, paper usage and waste and increasing our recycling.

Maintaining our reputation for high standards of business conduct is critical to ensuring the sustainability and success of the group. We strive to be a good corporate citizen and we are committed, at all times, to doing business in a responsible way by ensuring we have a positive impact on our stakeholders, the environment and the wider community.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The oil and gas industry is highly cyclical and demand for our services is substantially dependent upon the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which in turn are sensitive to oil and natural gas prices and generally dependent upon the industry's view of future oil and gas prices.

The oil & gas industry has historically experienced period downturns, which have been characterised by diminished demand for our oilfield services and products and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our operating results.

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

The group monitors performance against a set of Key Performance Indicators (KPIs) with the aim of delivering its strategic objectives.

The table below compares the trading year ended 31 December 2020 with that of the previous year showing KPIs for the group and its trading subsidiaries.

	2020 US \$'000	2019 US \$'000
Group		
Sales	24,997	22,772
Cost of sales	19,963	18,872
Gross margin	5,034	3,900
Gross margin %	20%	17%
Administration expenses	4,773	5,519
EBITDA profit/(loss)	1,384	290
Depreciation and amortisation	1,123	1,909
Net (loss) / profit	(1,640)	(2,667)
Drilltek S.A. De C.V.		
Sales	5,636	5,590
Cost of sales	4,285	4,143
Gross margin profit/(loss)	1,351	1,447
Gross margin %	24%	26%
Administration expenses	566	847
EBITDA profit/(loss)	867	638
Depreciation and amortisation	82	38
Net (loss)/profit	653	1,352
Drilltek Colombia S.A.S.		
Sales	-	351
Cost of sales	-	616
Gross margin (loss)/profit	-	(265)
Administration expenses	-	249
EBITDA profit/(loss)	-	(473)
Depreciation and amortisation	-	41
Net profit / (loss)	-	(399)
Stratascan Mexico S.A. De C.V.		
Sales	18,605	14,860
Cost of sales	13,993	11,519
Gross margin	4,612	3,341
Gross margin %	25%	22%
Administration expenses	2,752	2,116
EBITDA	2,329	1,609
Depreciation and amortisation	469	384
Net profit	1,263	(255)

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators (continued)

	2020 US \$'000	2019 US \$'000
DTK Laboratories Inc		
Sales	2,065	2,385
Cost of sales	2,367	2,133
Gross margin (loss)	(302)	252
Gross margin %	-	11%
Administration expenses	538	503
EBITDA (loss)	(756)	(167)
Depreciation and amortisation	84	84
Net loss	(654)	(251)
 Scal Arabia Limited		
Sales	1,093	1,098
Cost of sales	1,394	1,721
Gross margin (loss)	(301)	(623)
Administration expenses	357	1,036
EBITDA (loss)	(658)	1,945
Depreciation and amortisation	-	1,260
Net loss	(1,347)	(2,344)

On behalf of the board



Mr J D Lawrence

Director

11 January 2022

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company and the group in the year under review was that of a holding and investment company undertaking the management of group companies, and the buying and leasing equipment to such companies, and geological laboratory services.

Results and dividends

The results for the year are set out on page 12.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B E Osthus
Mr J D Lawrence
Mr O S Hjelmeland
Mr R P O Welsvik

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

BoseCo were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

As the group has not consumed high level of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr J D Lawrence
Director

11 January 2022

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Opinion

We have audited the financial statements of Petricore Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion on financial statements

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

The group's and the parent company's tangible fixed assets are stated at cost less depreciation in the balance sheet as at 31 December 2020. We did not carry out physical verification as these assets are located at subsidiaries in Mexico, UAE and Texas, USA. Hence, we are unable to satisfy ourselves of the existence and reasonableness of the net tangible assets balance reported as at 31 December 2020.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we draw attention to note 28 in the financial statements, which indicates that the group incurred a consolidated net loss of \$1,641,470 during the year ended 31 December 2020 and, as of that date, had an accumulated group loss of \$28,755,301 and net liabilities of \$6,617,340. As stated in note 28, these events or conditions, along with other matters as set forth in note 28, indicated that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

The impact of uncertainties due to the Coronavirus Pandemic on our audit

Uncertainties related to the effects of the Coronavirus Pandemic are relevant to understanding our audit of the accounts. All audits assess and challenge the reasonableness of estimates made by the director's, such as the valuation of property and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the businesses future prospects and performance.

The Coronavirus Pandemic is one of the most significant economic events for the globe, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future. Having said this there is uncertainty around the oil and gas sector and the ability for the group to obtain additional funding if required. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Matters on which we are required to report by exception

In respect solely of the limitation of our work relating to fixed assets and the Colombia subsidiary described above:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been maintained.

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

The objectives of our audit, in respect to detecting irregularities including fraud, are;

to identify and assess the risks of material misstatement of the financial statements due to fraud;

to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses;

and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

The audit team obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS102 and the Companies Act 2006), the relevant UK tax compliance regulations and Data Protection Regulation (GDPR).

We understood how the company complies with laws and regulations by making enquiries of management, internal audit, those responsible for legal and compliance procedures. We made enquiries through our review of board minutes and internal controls process documentation and considered the results of our audit procedures. We obtained confirmation from the company that there have been no breaches of laws and regulations, specifically Health & Safety and Oil and Gas regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to discuss areas where we considered there was susceptibility to fraud. We considered the internal controls that the company has implemented to address any risks identified, or to prevent, deter and detect fraud, and how senior management monitor them.

In common with all audits under ISAs, we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

The key audit areas identified at planning included revenue recognition, accounting estimates, translations from foreign exchanges and testing manual journals. We planned and designed our work to provide reasonable assurance that the financial statements were free from fraud or error. However due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected an irregularity or fraud that could result in a material misstatement in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Use of our report

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



Samar Bose (Senior Statutory Auditor)

for and behalf of BoseCo

Chartered Accountants

Statutory Auditor

309 Regents Park Road

London

N3 1DP

18/1/22

PETRICORE LIMITED AND SUBSIDIARIES

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
Revenue	3	24,993,913	22,779,075
Cost of sales		(19,961,369)	(18,872,435)
Gross profit		5,032,544	3,906,640
Administrative expenses		(4,772,061)	(5,524,418)
Other operating income/(expenses)		176,708	(42,664)
Operating profit/(loss)	4	437,191	(1,660,442)
Investment income	8	47,942	11,723
Finance costs	9	(1,594,753)	(918,160)
Other gains and losses	11	-	(272,327)
Profit/(loss) on disposal of operations		-	(26,465)
Loss before taxation		(1,109,620)	(2,865,671)
Tax on loss	10	(531,850)	197,796
Loss for the financial year	25	(1,641,470)	(2,667,875)
Loss for the financial year is attributable to:			
- Owners of the parent company		(1,014,390)	(1,867,487)
- Non-controlling interests		(627,080)	(800,388)
		(1,641,470)	(2,667,875)

The income statement has been prepared on the basis that all operations are continuing operations.

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 \$	2019 \$
Loss for the year	(1,641,470)	(2,667,875)
Other comprehensive income		
Currency translation differences	219,441	237,518
Total comprehensive income for the year	<u>(1,422,029)</u>	<u>(2,430,357)</u>
 Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(795,914)	(1,629,134)
- Non-controlling interests	(626,115)	(801,223)
	<u>(1,422,029)</u>	<u>(2,430,357)</u>

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
Non-current assets					
Goodwill	13	1,046,926		1,199,749	
Other intangible assets	13	89,604		133,678	
Total intangible assets		1,136,530		1,333,427	
Property, plant and equipment	16	6,941,606		7,584,116	
		8,078,136		8,917,543	
Current assets					
Inventories	17	1,975,301		1,975,852	
Trade and other receivables	18	18,655,336		12,813,981	
Cash and cash equivalents		1,203,136		1,767,023	
		21,833,773		16,556,856	
Current liabilities	19	(20,570,122)		(15,785,272)	
Net current assets		1,263,651		771,584	
Total assets less current liabilities		9,341,787		9,689,127	
Non-current liabilities	20	(15,959,127)		(14,884,438)	
Net liabilities		(6,617,340)		(5,195,311)	
Equity					
Called up share capital	23	2,005,763		2,005,763	
Share premium account	24	27,754,434		27,754,434	
Retained earnings	25	(28,755,301)		(28,240,060)	
Equity attributable to owners of the parent company		1,004,896		1,520,137	
Non-controlling interests		(7,622,236)		(6,715,448)	
		(6,617,340)		(5,195,311)	

The financial statements were approved by the board of directors and authorised for issue on 11 January 2022 and are signed on its behalf by:



Mr J D Lawrence
Director

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
Non-current assets					
Intangible assets	13	56,800		71,000	
Property, plant and equipment	16	3,225,223		3,407,611	
Investments	14	15,692,851		21,071,681	
		<u>18,974,874</u>		<u>24,550,292</u>	
Current assets					
Trade and other receivables	18	1,279,128		3,708,662	
Cash and cash equivalents		45,941		13,622	
		<u>1,325,069</u>		<u>3,722,284</u>	
Current liabilities	19	(2,567,012)		(2,361,137)	
Net current (liabilities)/assets		<u>(1,241,943)</u>		<u>1,361,147</u>	
Total assets less current liabilities		<u>17,732,931</u>		<u>25,911,439</u>	
Non-current liabilities	20	(10,966,832)		(9,678,666)	
Net assets		<u>6,766,099</u>		<u>16,232,773</u>	
Equity					
Called up share capital	23	2,005,763		2,005,763	
Share premium account	24	27,754,434		27,754,434	
Retained earnings	25	(22,994,098)		(13,527,424)	
Total equity		<u>6,766,099</u>		<u>16,232,773</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was \$9,466,674 (2019 - \$7,778,125 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 11 January 2022 and are signed on its behalf by:



Mr J D Lawrence
Director

Company Registration No. 05835764

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 January 2019	2,005,763	27,754,434	(6,329,881)	23,430,316
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(7,778,125)	(7,778,125)
Other movements	-	-	580,582	580,582
Balance at 31 December 2019	2,005,763	27,754,434	(13,527,424)	16,232,773
Year ended 31 December 2020:				
Loss and total comprehensive income for the year	-	-	(9,466,674)	(9,466,674)
Balance at 31 December 2020	2,005,763	27,754,434	(22,994,098)	6,766,099

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Retained earnings	Total controlling interest	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	2,005,763	27,754,434	(27,225,304)	2,534,893	(5,914,225)	(3,379,332)
Year ended 31 December 2019:						
Loss for the year	-	-	(1,867,487)	(1,867,487)	(800,388)	(2,667,875)
Other comprehensive income:						-
Currency translation differences	-	-	237,518	237,518	-	237,518
Amounts attributable to non-controlling interests	-	-	835	835	(835)	-
Total comprehensive income for the year	-	-	(1,629,134)	(1,629,134)	(801,223)	(2,430,357)
Other movements	-	-	614,378	614,378	-	614,378
Balance at 31 December 2019	2,005,763	27,754,434	(28,240,060)	1,520,137	(6,715,448)	(5,195,311)
Year ended 31 December 2020:						
Loss for the year	-	-	(1,014,390)	(1,014,390)	(627,080)	(1,641,470)
Other comprehensive income:						-
Currency translation differences	-	-	219,441	219,441	-	219,441
Amounts attributable to non-controlling interests	-	-	(965)	(965)	965	-
Total comprehensive income for the year	-	-	(795,914)	(795,914)	(626,115)	(1,422,029)
Other movements	-	-	280,673	280,673	(280,673)	-
Balance at 31 December 2020	2,005,763	27,754,434	(28,755,301)	1,004,896	(7,622,236)	(6,617,340)

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
Cash flows from operating activities					
Cash generated from operations	29	489,927		2,473,784	
Interest paid		(1,594,753)		(918,160)	
Income taxes paid		(531,850)		(769,214)	
Net cash (outflow)/inflow from operating activities		(1,636,676)		786,410	
Investing activities					
Purchase of intangible assets		-	(807,200)		
Proceeds on disposal of intangibles		17,305	-		
Purchase of property, plant and equipment		(300,137)	(5,740,339)		
Proceeds on disposal of property, plant and equipment		-	429,367		
Proceeds on disposal of investments		-	(272,328)		
Interest received		47,942	11,723		
Net cash used in investing activities		(234,890)		(6,378,777)	
Financing activities					
Proceeds from issue of shares		-	5,694,284		
Redemption of shares		-	(5,694,284)		
Repayment of borrowings		910,025	3,442,538		
Repayment of bank loans		158,628	34,994		
Payment of finance leases obligations		19,585	2,735,201		
Net cash generated from financing activities		1,088,238		6,212,733	
Net (decrease)/increase in cash and cash equivalents		(783,328)		620,366	
Cash and cash equivalents at beginning of year		1,767,023		909,139	
Effect of foreign exchange rates		219,441		237,518	
Cash and cash equivalents at end of year		1,203,136		1,767,023	

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
Cash flows from operating activities					
Cash absorbed by operations	31	(229,586)		(2,315,132)	
Interest paid		(853,027)		(234,249)	
Net cash outflow from operating activities		(1,082,613)		(2,549,381)	
Investing activities					
Purchase of intangible assets		-	(71,000)		
Purchase of property, plant and equipment	(158,372)		(3,407,599)		
Proceeds on disposal of property, plant and equipment		-	458,069		
Proceeds on disposal of subsidiaries	8,094		-		
Interest received	166,049		118,593		
Net cash generated from/(used in) investing activities		15,771		(2,901,937)	
Financing activities					
Proceeds from issue of shares		-	1,592,010		
Increase/(Repayment) of borrowings	1,080,395		975,126		
Increase of finance leases obligations	18,766		2,880,460		
Net cash generated from financing activities		1,099,161		5,447,596	
Net increase/(decrease) in cash and cash equivalents		32,319		(3,722)	
Cash and cash equivalents at beginning of year		13,622		17,344	
Cash and cash equivalents at end of year		45,941		13,622	

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Petricore Limited and Subsidiaries ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Gable House, 239 Regents Park Road, London, N3 3LF.

The group consists of Petricore Limited and Subsidiaries and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was \$9,466,674 (2019 - \$7,778,125 loss).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company Petricore Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 2 and 3. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

At the financial year-end, the Group had positive net current assets of \$1,263,651, net liabilities of \$6,617,340, cash balance of \$1,203,136 and loss for the year then ended of \$1,641,470. Included in creditors due more than one year is an amount of \$11,880,572 owed to the shareholders. These loans would not be recalled in the foreseeable future, until the group has sufficient cash flows with the ability to repay them. The loans are on an interest free basis. Furthermore, the shareholders will continue to provide the group with support in operations when needed, in order to meet its working capital requirements to settle its liabilities when they fall due.

At the date of signing these financial statements, the COVID-19 outbreak continues to significantly affect global economies. The Group has, throughout this period, continued to trade without interruption. However, the length of the pandemic is uncertain, and long periods of sustained lower oil prices may negatively affect demand the Group's services. The nature of the Group's business is such that there is reasonable visibility in the next 12 months. Beyond this, there is expected to be greater unpredictable variation in the value and timing of cash inflows from customers.

As a result, the directors have prepared projected cash flow information for the twelve months from the date of approval of these financial statements, which includes an additional severe but reasonably plausible downside scenario in which revenues are restricted through lower demand for services throughout the forecasted period; and directors would have taken action to reduce the scale of the business. Based on these cash flow forecasts, the directors consider that Group has adequate resources to continue in operational existence.

Consequently, the directors are confident that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	15% on straight line basis
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PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the period of the lease
Plant and machinery	10% to 20% on straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.9 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

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

Current tax

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

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.17 Foreign exchange

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in USD.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to USD (\$) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

An analysis of the group's revenue is as follows:

	2020	2019
	\$	\$
Revenue analysed by class of business		
Laboratory services	20,588,830	16,833,462
Wellsite services	4,405,083	5,945,613
	<u>24,993,913</u>	<u>22,779,075</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Revenue (Continued)

	2020 \$	2019 \$
Revenue analysed by geographical market		
Mexico	23,009,156	19,843,842
Colombia	-	284,691
United Arab Emirates	1,093,445	1,099,673
United States of America	891,312	1,550,869
	<u>24,993,913</u>	<u>22,779,075</u>
	2020 \$	2019 \$
Other significant revenue		
Interest income	<u>47,942</u>	<u>11,723</u>

Revenue is recognised when it is determined that the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured.

4 Operating profit/(loss)

	2020 \$	2019 \$
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(14,624)	74,997
Depreciation of owned property, plant and equipment	569,526	1,219,619
Depreciation of property, plant and equipment held under finance leases	373,122	16,860
Impairment of owned property, plant and equipment	-	572,805
Amortisation of intangible assets	179,592	100,584
Operating lease charges	<u>738,071</u>	<u>937,106</u>

5 Auditor's remuneration

	2020 \$	2019 \$
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	40,000	40,000
Audit of the financial statements of the company's subsidiaries	20,000	19,032
	<u>60,000</u>	<u>59,032</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Management	22	22	5	5
Operations	347	357	-	-
Total	369	379	5	5

Their aggregate remuneration comprised:

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Wages and salaries	10,672,243	9,067,303	-	10,354

7 Directors' remuneration

	2020 \$	2019 \$
Remuneration for qualifying services	-	10,354

8 Investment income

	2020 \$	2019 \$
Interest income		
Other interest income	47,942	11,723

9 Finance costs

	2020 \$	2019 \$
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	264,088	231,305
Other interest on financial liabilities	1,253,080	563,495
	1,517,168	794,800
Other finance costs:		
Interest on finance leases and hire purchase contracts	77,585	123,360
Total finance costs	1,594,753	918,160

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

	2020 \$	2019 \$
Current tax		
Foreign current tax on profits for the current period	1,073,882	831,108
Deferred tax		
Origination and reversal of timing differences	(542,032)	(1,028,904)
Total tax charge/(credit)	531,850	(197,796)

The actual charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 \$	2019 \$
Loss before taxation	(1,109,620)	(2,865,671)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(210,828)	(544,477)
Tax effect of expenses that are not deductible in determining taxable profit	1,675,811	1,678,457
Unutilised tax losses carried forward	440,435	727,445
Permanent capital allowances in excess of depreciation	(26,894)	(339,113)
Foreign tax	(135,778)	774,239
Profit on sale of fixed assets	-	(87,030)
Tax adjustments	(1,210,896)	(2,407,317)
Taxation charge/(credit)	531,850	(197,796)

No liability to UK corporation tax arose on ordinary activities for the year.

11 Other gains and losses

	2020 \$	2019 \$
Amounts written off fixed asset investments	-	(272,327)

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 \$	2019 \$
In respect of:			
Property, plant and equipment	16	-	572,805
Fixed asset investments	14	-	272,327
		<u> </u>	<u> </u>
Recognised in:			
Administrative expenses		-	572,805
Other gains and losses		-	272,327
		<u> </u>	<u> </u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Intangible fixed assets

Group	Goodwill	Software	Development Costs	Total
	\$	\$	\$	\$
Cost				
At 1 January 2020	1,528,234	71,000	135,179	1,734,413
Disposals	-	-	(17,305)	(17,305)
At 31 December 2020	1,528,234	71,000	117,874	1,717,108
Amortisation and impairment				
At 1 January 2020	328,485	-	72,501	400,986
Amortisation charged for the year	152,823	14,200	12,569	179,592
At 31 December 2020	481,308	14,200	85,070	580,578
Carrying amount				
At 31 December 2020	1,046,926	56,800	32,804	1,136,530
At 31 December 2019	1,199,749	71,000	62,678	1,333,427

More information on impairment movements in the year is given in note 12.

Company

Net book value of intangible fixed assets at 31 December 2019 and 31 December 2018 was \$nil.

14 Fixed asset investments

		Group 2020	2019	Company 2020	2019
	Notes	\$	\$	\$	\$
Investments in subsidiaries	15	-	-	8,871,192	8,879,286
Loans to subsidiaries	15	-	-	6,821,659	12,192,395
		-	-	15,692,851	21,071,681

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Fixed asset investments

(Continued)

Movements in non-current investments

Company	Shares in subsidiaries \$	Loans to subsidiaries \$	Total \$
Cost or valuation			
At 1 January 2020	8,879,286	12,192,395	21,071,681
Disposals	(8,094)	(5,370,736)	(5,378,830)
At 31 December 2020	8,871,192	6,821,659	15,692,851
Carrying amount			
At 31 December 2020	8,871,192	6,821,659	15,692,851
At 31 December 2019	8,879,286	12,192,395	21,071,681

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Drilltek S.A. de C.V.	Mexico	Ordinary	95.00
DTK Laboratories Inc.	Texas, USA	Ordinary	100.00
SCAL Arabia Limited	England and Wales	Ordinary	51.00
Stratascan Mexico S.A. de C.V.	Mexico	Ordinary	99.97

16 Property, plant and equipment

Group	Leasehold improvements \$	Plant and machinery \$	Total \$
Cost			
At 1 January 2020	1,567,144	9,906,859	11,474,003
Additions	24,826	275,311	300,137
At 31 December 2020	1,591,970	10,182,170	11,774,140
Depreciation and impairment			
At 1 January 2020	204,434	3,685,452	3,889,886
Depreciation charged in the year	271,499	671,149	942,648
At 31 December 2020	475,933	4,356,601	4,832,534
Carrying amount			
At 31 December 2020	1,116,037	5,825,569	6,941,606
At 31 December 2019	1,362,710	6,221,406	7,584,116

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

16 Property, plant and equipment (Continued)

Company	Plant and machinery
	\$
Cost	
At 1 January 2020	5,513,989
Additions	158,372
At 31 December 2020	5,672,361
Depreciation and impairment	
At 1 January 2020	2,106,378
Depreciation charged in the year	340,760
At 31 December 2020	2,447,138
Carrying amount	
At 31 December 2020	3,225,223
At 31 December 2019	3,407,611

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Plant and machinery	3,341,937	3,727,936	3,066,840	3,407,600
Depreciation charge for the year in respect of leased assets	373,122	16,860	340,760	-

More information on impairment movements in the year is given in note 12.

17 Inventories

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Raw materials and consumables	10,664	11,215	-	-
Finished goods and goods for resale	1,964,637	1,964,637	-	-
	1,975,301	1,975,852	-	-

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Trade and other receivables

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	\$	\$	\$	\$
Trade receivables	6,449,540	5,303,968	-	-
Unpaid share capital	55,495	55,495	44,907	44,907
Amounts owed by group undertakings	-	-	613,922	2,908,053
Other receivables	12,003,288	7,319,932	620,299	755,702
Prepayments and accrued income	147,013	134,586	-	-
	<u>18,655,336</u>	<u>12,813,981</u>	<u>1,279,128</u>	<u>3,708,662</u>

19 Current liabilities

	Notes	Group 2020	2019	Company 2020	2019
		\$	\$	\$	\$
Bank loans	21	2,648,429	2,648,429	-	-
Payments received on account		414,213	1,266	-	-
Trade payables		10,519,532	8,298,114	778,549	570,858
Amounts owed to group undertakings		-	-	1,472,272	1,466,658
Other taxation and social security		2,988,760	2,072,803	365	365
Other payables		2,738,659	2,166,991	115,875	115,875
Accruals and deferred income		1,260,529	597,669	199,951	207,381
		<u>20,570,122</u>	<u>15,785,272</u>	<u>2,567,012</u>	<u>2,361,137</u>

20 Non-current liabilities

	Notes	Group 2020	2019	Company 2020	2019
		\$	\$	\$	\$
Bank loans and overdrafts	21	158,628	-	-	-
Obligations under finance leases	22	3,086,013	3,066,428	2,899,226	2,880,460
Other borrowings	21	11,880,572	10,970,547	7,344,694	6,264,299
Trade payables		446,486	292,800	446,486	292,800
Other payables		311,428	478,663	200,426	165,107
Accruals and deferred income		76,000	76,000	76,000	76,000
		<u>15,959,127</u>	<u>14,884,438</u>	<u>10,966,832</u>	<u>9,678,666</u>

Other borrowings are amounts due to shareholders. Majority of these loans are either for share conversion or were provided in accordance to the Facility Agreement which is only payable at exit.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Borrowings

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Bank loans	2,807,057	2,648,429	-	-
Loans from group undertakings	-	-	624,242	453,872
Other loans	11,880,572	10,970,547	6,720,452	5,810,427
	<u>14,687,629</u>	<u>13,618,976</u>	<u>7,344,694</u>	<u>6,264,299</u>
Payable within one year	2,648,429	2,648,429	-	-
Payable after one year	<u>12,039,200</u>	<u>10,970,547</u>	<u>7,344,694</u>	<u>6,264,299</u>

22 Finance lease obligations

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Future minimum lease payments due under finance leases:				
In two to five years	<u>2,899,226</u>	<u>2,880,460</u>	<u>2,899,226</u>	<u>2,880,460</u>

Certain plant and machinery is held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 13). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

23 Share capital

Group and company	2020	2019	2020	2019
Ordinary share capital	Number	Number	\$	\$
Issued and not fully paid				
Ordinary share of \$1 each	1	1	1	1
Ordinary shares of \$1 each	<u>2,005,762</u>	<u>2,005,762</u>	<u>2,005,762</u>	<u>2,005,762</u>
	<u>2,005,763</u>	<u>2,005,763</u>	<u>2,005,763</u>	<u>2,005,763</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Share premium account

Group and company

	2020 \$	2019 \$
At beginning of year	27,754,434	27,754,434
Issue of new shares	-	-
At end of year	<u>27,754,434</u>	<u>27,754,434</u>

25 Retained earnings

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
At the beginning of the year	(28,240,060)	(27,225,304)	(13,527,424)	(6,329,881)
Loss for the year	(1,014,390)	(1,867,487)	(9,466,674)	(7,778,125)
Currency translation differences	219,441	237,518	-	-
Amounts attributable to non-controlling interests	(965)	835	-	-
Other movements	280,673	614,378	-	580,582
At the end of the year	<u>(28,755,301)</u>	<u>(28,240,060)</u>	<u>(22,994,098)</u>	<u>(13,527,424)</u>

26 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 \$	2019 \$	Company 2020 \$	2019 \$
Within one year	249,772	70,845	-	-
Between two and five years	394,043	425,068	-	-
	<u>643,815</u>	<u>495,913</u>	<u>-</u>	<u>-</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

27 Related party transactions

At the year end the following amounts were due to shareholders:

	2020	2019
	\$	\$
Geological Investments Ltd	460,426	345,107
Staur Asset Management AS	4,004,513	3,837,513
Svein Bergset Holdings	56,250	56,250
Strategicom	230,938	202,439
Alf M Andersen AS	166,250	166,250
Pareto Staur SPV1 AS	693,992	693,992
Staur Holdings AS	656,150	46,623
Safe Offshore AS	451,532	418,606
Hauken Consult AS	469,010	321,890
	<u>7,189,061</u>	<u>6,088,670</u>

28 Going concern

The group made a consolidated loss for the year of \$1,641,470. At the year end the group's accumulated loss was \$28,755,301 and has net liabilities of \$6,617,340. The group meets its day-to-day working capital requirements from existing cash resources, from revenue generated from the services it provides and from taking advantage of support from its shareholders.

The group has received comfort letters that the majority shareholders will provide support to the group in order to enable it to meet its obligations as and when required for a period of at least twelve months from the date of approval of these financial statements.

As a result of the above and after making enquiries, the directors have a reasonable expectation that the group will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

29 Cash generated from group operations

	2020 \$	2019 \$
(Loss)/profit for the year after tax	(1,641,470)	1,765,907
Adjustments for:		
Taxation charged/(credited)	531,850	(197,796)
Finance costs	1,594,753	918,160
Investment income	(47,942)	(11,723)
Amortisation and impairment of intangible assets	179,592	100,584
Depreciation and impairment of property, plant and equipment	942,648	1,809,284
Other gains and losses	-	272,327
Fair value adjustment to disposal group	-	26,465
Increase in provisions	-	3,860,902
Movements in working capital:		
Decrease/(increase) in inventories	551	(1,965,058)
Increase in trade and other receivables	(5,841,356)	(1,881,235)
Increase/(decrease) in trade and other payables	4,771,301	(2,224,033)
Cash generated from operations	489,927	2,473,784

30 Analysis of changes in net debt - group

	1 January 2020 \$	Cash flows \$	Exchange rate movements \$	31 December 2020 \$
Cash at bank and in hand	1,767,023	(783,328)	219,441	1,203,136
Borrowings excluding overdrafts	(13,618,976)	(1,068,653)	-	(14,687,629)
Obligations under finance leases	(3,066,428)	(19,585)	-	(3,086,013)
	<u>(14,918,381)</u>	<u>(1,871,566)</u>	<u>219,441</u>	<u>(16,570,506)</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

31 Cash absorbed by operations - company

	2020 \$	2019 \$
Loss for the year after tax	(9,466,674)	(7,197,543)
Adjustments for:		
Finance costs	853,027	234,249
Investment income	(166,049)	(118,593)
Gain on disposal of property, plant and equipment	-	(458,054)
Amortisation and impairment of intangible assets	14,200	-
Depreciation and impairment of property, plant and equipment	340,760	35,154
Fair value adjustment to disposal group	8,044,613	7,101,929
Increase in provisions	-	3,860,902
Movements in working capital:		
Decrease in trade and other receivables	2,429,534	1,213,850
Decrease in trade and other payables	(2,278,997)	(6,987,026)
Cash absorbed by operations	<u>(229,586)</u>	<u>(2,315,132)</u>

32 Analysis of changes in net debt - company

	1 January 2020 \$	Cash flows \$	31 December 2020 \$
Cash at bank and in hand	13,622	32,319	45,941
Borrowings excluding overdrafts	(6,264,299)	(1,080,395)	(7,344,694)
Obligations under finance leases	(2,880,460)	(18,766)	(2,899,226)
	<u>(9,131,137)</u>	<u>(1,066,842)</u>	<u>(10,197,979)</u>