16 March 2022
2021 Preliminary Results

Pharos Energy plc
("Pharos" or the "Company" or, together with its subsidiaries, the "Group")

2021 Preliminary Results

Pharos Energy plc, an independent oil and gas exploration and production company, announces its preliminary results for the year ended 31 December 2021. A conference call will take place at 0900 GMT today.

Jann Brown, Managing Director and Chief Executive Officer Designate, commented:
"It is truly an exciting time to take over the reins at Pharos. The completion of the deal with IPR, expected imminently, is a key step in reshaping the portfolio and 2022 will see investments made in both Vietnam and Egypt to deliver growth, value and cash flow. The key focus for 2022 is cash generation, through careful cost control, a rapid payback programme of drilling in Vietnam and in Egypt through our carry, which covers all but our own moderate corporate costs."

"For the first time in some years, we have capital to allocate to an exciting work programmes in 2022, forming a clear roadmap to cash generation and value creation in the year ahead."

2021 Operational Highlights

- Total Group working interest 2021 production 8,878 boepd net (2020: 11,373 boepd), in line with production guidance:
  - Egypt production 3,318 bopd (2020: 5,270 bopd)
  - Vietnam production 5,560 boepd net (2020: 6,103 boepd)
- In Egypt:
  - Return to drilling with Batran-1X exploration commitment well and three-well development drilling programme
  - El Fayum Phase 1B waterflood programme commenced with one workover rig, with a second workover rig dedicated to the maintenance programme
  - Conditional agreements for the farm-down and sale of a 55% working interest and operatorship in each of the Egyptian El Fayum and North Beni Suef Concessions to IPR Lake Qarun Petroleum Co. ("IPR")
- In Vietnam:
  - Successful completion of Phase 1 of TGT four-well development drilling campaign, ahead of schedule and below budget
  - HLJOC management committee approval of two additional TGT wells and 13 well interventions in November 2021
  - Completion of 3D seismic acquisition programme on Block 125, with seismic processing underway and final results expected mid-2022
  - Government approval for a 2-year extension of the initial exploration phase under the Block 125 & 126 Production Sharing Contract ("PSC")

2021 Financial Highlights

- Group revenue of $163.8m*[1] (2020: $118.3m*[1])
- Cash generated from operations $51.5m (2020: $85.5m)
- Cash operating costs of $16.05/bbl[2] (2020: $11.60/bbl[2])
- Cash balances as at 31 December 2021 of $27.1m (2020: $24.6m)
- Net Debt as at 31 December 2021 of $57.5m[2,3] (2020: Net Debt $32.6m[2])
- Loss for the year of $4.7m (2020: loss $215.8m), including non-cash net impairment reversal after tax of $23.5m (2020: impairment charge after tax of $198.1m)
- Net Debt to EBITDAX of 1.00x (2020: 0.48x)[2]

* Egyptian revenues are stated post government take including corporate taxes
[1] Stated prior to realised hedging loss of $29.7m (2020: gain of $23.7m)
[2] See Non-IFRS measures on page 35
[3] Includes RBL and National Bank of Egypt working capital drawdown

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2021 Corporate Highlights

- Completion of equity placing, subscription and retail offering in January 2021 which raised gross proceeds of approximately $11.7m
- Refinancing of the Group's RBL facility in July 2021, providing additional liquidity through access to a committed $100m with a further $50m available on an uncommitted "accordion" basis and extending the tenor of the facility by 22 months
- Signature of agreements in September 2021 for the farm-down and sale of a 55% working interest and operatorship in the El Fayum and North Beni Suef Concessions in Egypt to IPR, with Pharos shareholder approval secured in December 2021
- Reduction in salary of 50% from 1 April 2021 volunteered by all three Executive Directors in office on that date
- The Executive Directors also voluntarily reduce their bonus entitlement for 2021 by 20% from 72.5% to 58%
- Appointment of Sue Rivett to the Board as Chief Financial Officer ("CFO") effective 1 July 2021
- London office reorganisation and c.50% reduction in headcount completed

2022 Highlights and Outlook

- Signature of the Third Amendment to the El Fayum Concession Agreement, with retroactive application of the improved fiscal terms from November 2020 and a three and a half year extension to the exploration period
- Modest hedging programme to capture the higher oil price environment
- Phase Two of Task Force on Climate-related Disclosure ("TCFD") project completed in Q1 2022, with ongoing work on future TCFD alignment
- Appointment of Jann Brown as Chief Executive Officer ("CEO") on completion of the transaction with IPR
- Additional directorate changes upon completion of the transaction with IPR and at the 2022 AGM, resulting in a reduction in the size of the Board from nine Directors to six, with a much lower cost base
- In Egypt
    - Pharos and EGPC have finalised all necessary documents to be presented to the Minister of Petroleum and Natural Resources to approve the transaction with IPR and this approval is expected shortly
    - The three-well drilling programme, which commenced in November 2021, is ongoing
    - Commencement of the main El Fayum multi-year and multi-well development programme in Q2 2022
    - Production forecast for 2022 will be evaluated following completion of the farm-down to IPR and transfer of operatorship. Guidance will be given at the AGM
- In Vietnam
    - Vietnam 2022 production guidance : 5,000 – 6,000 boepd
    - Drilling of two development wells in TGT and one in CNV to commence Q3 2022
    - Processing of 3D seismic data on Block 125 ongoing

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Enquiries

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Notes to editors

Pharos Energy plc is an independent oil and gas exploration and production company with a focus on sustainable growth and returns to stakeholders, which is listed on the London Stock Exchange. Pharos has production, development and/or exploration interests in Egypt, Vietnam and Israel. In Egypt, until completion of the farm-out to IPR Energy announced on 15 September 2021 (the "Farm-out Transaction"), Pharos holds a 100% working interest in the El Fayum oil Concession in the Western Desert. The Concession produces from 10 fields and is located 80 km southwest of Cairo. It is operated by Petrosilah, a 50/50 JV between Pharos and the Egyptian General Petroleum Corporation (EGPC). Similarly, until completion of the Farm-Out Transaction occurs, Pharos is also an operator with a 100% working interest in the North Beni Suef (NBS) Concession, which is located immediately south of the El Fayum Concession. In Vietnam, Pharos has a 30.5% working interest in Block 16-1 which contains 97% of the Te Giac Trang (TGT) field and is operated by the Hoang Long Joint Operating Company. Pharos' unitised interest in the TGT field is 29.7%. Pharos also has a 25% working interest in the Ca Ngu Vang (CVN) field located in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Blocks 16-1 and 9-2 are located in the shallow water Cuu Long Basin, offshore southern Vietnam. Pharos also holds a 70% interest in and is designated operator of Blocks 125 & 126, located in the moderate to deep water Phu Khanh Basin, north east of the Cuu Long Basin, offshore central Vietnam. In Israel, Pharos together with Capricorn Energy PLC (formerly known as Cairn Energy PLC) and Israel's Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Capricorn Energy is the operator.

Chair's Statement

Rebalanced and focused on values

I am pleased to report that Pharos has successfully navigated another challenging year in 2021 whilst continuing to make the improvements necessary to rebalance our cost base, our capital structure and our assets. We start 2022 with a clear roadmap of how the company can drive value for all our stakeholders and we have the right team in place to deliver that.

The backdrop of the global pandemic persisted throughout 2021 and the ongoing climate of uncertainty remained the dominant challenge in planning, forecasting and managing capital. After the swift and decisive actions taken in 2020 to reduce costs and preserve liquidity, 2021 saw us take further vital steps to strengthen the capital structure of the business, which had been severely impacted by the loss of revenues as a result of the oil price crash. The $11.7 million equity placing, subscription and retail offering, completed in January 2021, was the first capital raised from the market since 1997 and the support we received is a testament to the strength of our existing shareholder base and the attraction of the company to new investors. I welcome these new investors and thank all our investors for their support. The refinancing of our RBL over the assets in Vietnam, completed in July 2021, provided additional liquidity while maintaining our leverage at a comfortable level. The approval of improved fiscal terms in Egypt reset the economics for the El Fayum Concession, bringing down the breakeven price and improving the overall returns. The farm-down of our Egyptian assets, a process that started in 2020, achieved a key milestone with the signature of conditional agreements with IPR in September. The transaction with IPR is a key step in the realignment of our asset base to match the levels of funding available to generate cash flow and value. We now have a clear path to cash generation and value creation in Vietnam, where our programme is self-funded, and in Egypt where we will be carried through the next phase of investment by IPR.

As part of our reshaping for the future we have driven down costs and created a new, leaner organisational structure in the UK and these efforts will continue in Egypt in 2022. This positions us well to thrive in a stronger oil price environment.

Board Changes

We have long recognised that our board would need to be reshaped following the farm-down of our assets in Egypt to IPR and the associated transfer of operatorship. We announced the proposed changes in January of this year and Ed Story and Mike Watts will step down from the board once the farm-down transaction completed. Ed will remain as President of the Vietnam business, while Mike will be available to advise the Board during his notice period of one year. I would like to take this opportunity to thank Ed for his considerable contribution to Pharos over many years. We are delighted that he will stay with us to help the management of our relationships and activity in Vietnam. I would also like to thank Mike for his long-term dedication to the Company and for his important contributions during that time. Our Senior Non-Executive Director and Deputy Chair, Rob Gray, will also step down in May of this year at the 2022 AGM and again we thank him for his long and valued service.

The result of these changes will be to reduce the size of the Board from nine Directors to six, commensurate with the scale of the business, and we have all of the skills and experience required to provide the necessary governance and oversight of a Premium Listed Company. Pharos' commitment to inclusion and diversity remains strong. Following the board changes described above, both of our executive directors will be female, with a total of four of the six directors being women, representing two thirds of the Board.

I am delighted Jann will be the CEO of Pharos and I look forward to working with her, Sue and the rest of my Board colleagues into this next phase.

Sustainability

Sustainability is an increasing focus for our entire industry. We recognise that oil and gas will continue to play an essential role in the provision of energy security and the global energy mix for many years to come and that the importance of producing this energy in a safe, environmentally sustainable and socially responsible way will continue to grow amidst the wider energy transition. We stand ready to play our part in this transition and we can do that by providing transparent and comparable sustainability disclosures, embedding sustainability considerations in the way we operate and identifying where changes in our field practices could make a difference in our efforts to reduce our carbon footprint.

We have also continued to participate in various climate disclosures. Over the past four years, we have participated in the CDP Climate Change Questionnaire and have maintained our score (C), which is also the industry average. 2021 also marks the first year that the Company submitted their response to the CDP Water Security Questionnaire, which was completed at a basic level in 2021 and we plan to improve our level of transparency on water usage and protection by completing the full version in 2022. More recently, we commenced Phase 2 of the project to bring our disclosures in line with the requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") in accordance with LR 9.8.6.

Over the years, Pharos has embedded sustainability considerations throughout our operations. We set up an ESG Committee at Board level and an ESG Working Group to operationalise our approach. Climate change is now, following TCFD guidance, recognised as a principal risk for the Company and we engage our stakeholders regularly on all aspects of environmental, social and economic impacts. In 2021, the Remuneration Committee has increased the level of management incentives which attach to improvements in our sustainability performance in order to further encourage action on this agenda.

Following the COP26 summit in Glasgow in November 2021, we recognise and understand the growing need to accelerate business action on climate change. The Board welcomed the outcomes of the Glasgow Climate Pact and is now focused on reviewing what a possible pathway towards Net Zero entails. This will not be straightforward, for Pharos and for the wider industry, with a lot of solutions being currently tried and tested. But we commit to being transparent in what can and what cannot be delivered and to keeping stakeholders updated on the progress. During the net zero transition, we want to ensure we do not lose sight of the role our energy plays in driving economic development of those countries where it is produced.

Purpose and organisation

Our purpose has been expanded to include our commitment to sustainability; to provide the energy to support the economic development and prosperity of the countries, communities and families wherever we work, in line with recognised socially and environmentally responsible practices.

Our organisation has proved itself to be resilient beyond expectations this year. We have had difficult decisions to make on reducing our staffing levels in the UK as part of our efforts to manage costs. We have lost many talented colleagues and I am delighted that so many of them have found new positions so quickly. The team who have stayed with us have all risen to the challenges of delivering what has been needed and I have every confidence that they will continue to do so.

The culture of the workforce is strong and is built on openness, safety and care, trust and respect for each other. Our workforce in the UK has indicated a clear preference for retaining flexibility in our way of working and, throughout the period of mandatory remote working, we have built well-established channels of communication and ways of working which can accommodate these preferences with minimal disruption and no adverse impact on delivery and efficiency.

Outlook

Despite the turmoil we have all experienced in the global macro-economic environment, our strategy to deliver long-term, sustainable value for all our stakeholders remains unchanged. We have capital to allocate to exciting work programmes in 2022 and our commitment to returning cash to shareholders remains a core element of our overall allocation framework.

It is with great sadness that we note the terrible situation that is ongoing in Ukraine. Alongside the humanitarian issues, there are increased business risks due to the heightened volatility in commodity price and impact on inflation. We have no direct business in the region but we are carrying out due diligence checks and reviewing the supply chain implications in all parts of the business. No immediate impact has been identified but we will continue to keep this under close review and will devise mitigating actions if needed.

In Vietnam our status as a major investor in country plus our track record of managing operations stand us in good stead to deliver the next phase of value from our existing producing fields. In Egypt, we have a period of collecting revenues with all costs covered by the carry provided by IPR, our new partner. IPR has proven itself to be a technically proficient, effective and low-cost operator and are well capitalised to fund the right work programme on both Concessions in Egypt to maximise long-term growth and cash flow. Their long-standing in-country presence and relationships with the Egyptian government and regulatory authorities will support the expansion of operational activity needed to develop the resource base. The Board firmly believes that IPR is the right partner for Pharos in Egypt, and we look forward to working with them in 2022 and beyond.

Thanks to the effort and hard work of all of our colleagues, the businesses is now in significantly better shape, with funding in place to make the investments needed to deliver value from the assets already in the portfolio. On behalf of the Board, I would like to thank our shareholders for their support through the year, as well as our staff, partners, suppliers and advisers all of whom have helped to provide stability through this period of uncertainty and volatility.

We enter 2022 with a more confident outlook. Pharos has a unique combination of complementary assets, a talented and diverse workforce and capital discipline in its DNA. Most importantly, it has a clear roadmap to cash generation and value creation for the coming year.

John Martin
Chair

PHAROS ENERGY

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Incoming Chief Executive Officer's Statement

2021 was a critical year for Pharos and several key steps were taken which provide the foundations for the exciting programmes, focused on growth, cash flow generation and value, in 2022 and beyond.

- In January, we had strong support for an equity placing, subscription and retail offer, raising $11.7m in gross proceeds, with net proceeds invested in the El Fayum waterflood programme to support production levels.

- In March, we announced a reduction of our head office headcount of c.50%, significantly reducing our ongoing annual G&A cost. Many talented colleagues left the Company in this reorganisation and it is a testament to the team who have stayed with us that they have continued to deliver.

- In March we announced that we had reached agreement with EGPC, the industry regulator and state oil company in Egypt, to various amendments to the El Fayum Concession (known collectively as "The Third Amendment") the most important effect of which was an improvement in the fiscal terms backdated to November 2020. The improved terms were subjected to parliamentary and presidential approval, which were obtained in January 2022. As a result of this Third Amendment, Contractor share of revenues increased by 20%, from c.42% to c50% whilst in full cost recovery mode. Signature of the Third Amendment was a key Condition Precedent for the transfer of a 55% participating interest (and operatorship) in the El Fayum and North Beni Suef Concessions to IPR.

- In July, we completed the refinancing of our Reserve Based Lending Facility ("RBL") which provided access to a committed $100m with a further $50m available on an uncommitted "accordion" basis and has a four-year term that matures in July 2025. The revised RBL facility extends the tenor of the facility by 22 months, rephases the repayment schedule and has provided additional liquidity without taking gearing to unacceptable levels.

- In September, we announced the signature of agreements for the farm-down to IPR to of a 55% working interest in, and operatorship of, both of our concessions in Egypt, full details of which transaction are set out in the Financial Review. Pharos and EGPC have finalised all necessary documents to be presented to the Minister of Petroleum and Natural Resources to approve the transaction with IPR and this approval is expected shortly. The IPR Energy group has been present in Egypt for 40 years, currently has eight concessions pre-acquisition, five of which are operated, and has achieved significant growth in net production. We look forward to working with them to deliver the full potential of these fields.

These steps, alongside the operational activity set out below, have reset the Group's potential. That potential was already there in the portfolio, but we now have the access to funding to exploit these to grow cash flow and increase shareholder value. We enter 2022 with a refreshed portfolio, cost base, and access to capital.

<u>Consistent operational delivery amidst ongoing global uncertainties</u>

In Vietnam, the Group had a busy operational year. Most notable was the commencement of the TGT well intervention and development drilling programme in July 2021, following the approval of the updated FFDP and the two year extension on both the TGT and CNV licences which was announced in 2020. Phase 1 of the campaign was successfully completed in November 2021, ahead of schedule and c.$20 million below the JV gross budget. In 2021, the crude produced from the fields in Vietnam commanded a premium to Brent of just under $2/bbl and the payback period for the wells drilled is estimated at below 12 months, making investment in these fields an attractive proposition.

Production for 2021 from the TGT and CNV fields net to the Group's working interest averaged 5,560 boepd, in line with guidance, and guidance for 2022 is set at 5,000 to 6,000 boepd.

In July 2021, the Company announced the completion of its 3D seismic acquisition programme on the western part of Block 125 in the Phu Khanh Basin, offshore Vietnam. The seismic processing work is ongoing, with the final processed results expected in mid-2022. In September 2021, Pharos received approval for a two-year extension of the initial exploration phase under the Block 125 & 126 PSC, which now runs until November 2023. There is a commitment to drill one well on these Blocks within the initial exploration phase and, following completion of the seismic processing, we will look to bring in an additional partner pre-drill.

In Egypt, after an operational hiatus in 2020, Phase 1B of the waterflood programme on El Fayum commenced, supported by the net proceeds of the equity placing, subscription and retail offer completed in January 2021. A three-well development drilling programme was started in November 2021 to provide reservoir pressure support and maintain production ahead of the multi-year, multi-well development programme planned following completion of the transaction with IPR. Pharos will be carried through the first part of this programme by IPR for its retained 45% working interest in El Fayum.

In June 2021, Pharos announced the modest discovery on the Batran-1X exploration commitment well, which reconfirmed the potential for additional oil on the El Fayum concession.

The Board believes that 2021 was a turning point year for Pharos, with key building blocks now in place to move forward into exciting programmes in both Vietnam and Egypt.

Sustainability

Sustainability has been a challenge for our industry for many years and the focus on our activities on this front is increasing, and rightly so. Alongside our statutory obligations in the United Kingdom (where we are listed) and Egypt, Israel and Vietnam (where we operate), we recognise that the expectations of all stakeholders are growing in this respect. At Pharos, we have been diligently preparing to ensure that our disclosures are in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and can report that we are on track to do so, having completed Phase Two of our alignment project with TCFD's reporting requirements. We also continue to meet our obligations under the Modern Slavery Act and anti-bribery legislation. As part of local agreements, we are focused on meeting legal environmental, social and economic obligations: that is why we provide $500,000 every year for local capability training in Vietnam and Egypt. I am proud that we continue to achieve a zero on our Lost Time indicators. In 2021, we paid $198.2m in taxes and royalties to host governments, including their share of production entitlements. With 100% of production sold domestically in 2021, this has made a valuable contribution to the host countries' socio-economic development, energy security and access to energy.

But we go beyond what's legally required, noting the growing expectations of all our stakeholders. As we work predominantly through Joint Operating Companies ("JOCs") we work collaboratively with our partners to identify what else we can do. This extends to all our community initiatives, where our financial contribution amounted to $265,000 in 2021 via HLHVJOC Charitable Donation Programme. We are investigating opportunities to reduce our carbon footprint by adopting different methods and processes to power our operations and other carbon reduction technologies in the longer term and will provide updates on our progress. We will not make commitments or set targets which are vague or which rely on new technologies or those being developed in the future, and which do not carry the support of our partners.

Outlook - Reaping our rewards in a new phase of growth

Over the past five years, we have built a portfolio in Asia MENA with a combination of assets which offer resilience in difficult times, strong cash returns in better times plus valuable growth potential when investment capital is available.

In Vietnam, the economics are attractive on all fronts – premium commodity pricing, a low LOF Breakeven price, attractive netbacks and rapid payback periods on new development wells - with all planned activities funded from cash flows generated. Following the four wells drilled on TGT in 2021, two further TGT wells are planned for 2022 plus one on CNV. The JOC is now progressing work on submitting licence extension requests for both TGT & CNV, with a Revised Full Field Development Plan ("FFDP") for both fields to be submitted by Q4 2022. This would take the licence terms out to 2031 (TGT) and 2032 (CNV) and would add two years of reserves to the production profiles and economics for these fields.

In Egypt, upon completion of the transaction with IPR and transfer of operatorship which is expected imminently], we will enter a new phase, and will benefit from IPR's experience as an Operator plus the carry of our retained 45% working interest through the first part of the multi-year and multi-well development programme. With the field economics enhanced by the signing of the Third Amendment and the Group's own economics further improved by the carry, we consider that Egypt is now in an excellent position to deliver on its potential.

I would like to pay tribute to my colleagues leaving the board at this time. To Ed Story, as he ends his 25 year leadership of the company, having taken it through many different territories and phases, always with a focus on shareholder returns. He will be a key part of the team in Vietnam to deliver on his long held view of the potential there. Mike's association with Pharos has also been formative and instrumental over the long term. Finally, Rob Gray will step down in May from his roles as both Deputy Chair and as Senior Non-Executive Director. All three have played an important role in putting the company where it is today and I thank each of them for their own unique contributions.

I would also like to thank our shareholders and wider stakeholders for their ongoing support.

Last but not least, I would also like to express my gratitude towards my colleagues for their efforts, continued hard work and commitment as we have navigated through challenges and uncertainties to build a business with a return to growth.

Jann Brown
Chief Executive Officer Designate

Review of Operations

Egypt

El Fayum Production

Production for 2021 from the El Fayum Concession averaged 3,318 bopd (2020: 5,270 bopd). This is in line with the 2021 production guidance given in our Interim Results statement on 15 September 2021.

El Fayum Development and Operations

El Fayum Phase 1B waterflood programme commenced in H1 2021 with one workover rig, with a second workover rig contracted in August dedicated to the maintenance programme. Plans were put in place to accelerate production enhancement in the second half of the year, which included the arrival of a second workover rig and the commencement of a three-well development drilling programme in November 2021. This was to help provide reservoir pressure support and maintain production ahead of the main multi-year and multi-well development programme to be implemented following completion of the transaction with IPR.

Petrosilah, the El Fayum joint operating company, has tendered for a Drilling Rig and a candidate has been identified for a Q2 commencement of operations. The results of the recently drilled wells have been encouraging and confirm our latest subsurface modelling work.

El Fayum Exploration

The Batran-1X commitment well was drilled in May 2021 inside the Tersa Development Lease. The well started the first phase of a long production test through Early Production Facility (EPF) in November by testing the single Upper Bahariya UB-1 zone to evaluate reservoir continuity and pressure support. During the initial test the well produced between 90 and 25 bopd and the rate of the well continued to drop during the test. There remains the option to test further reservoir zones at a later date following completion of the farm-down to IPR.

El Fayum Commercial

On 20 January 2022, the Company announced that the Third Amendment to the El Fayum Concession Agreement had been signed by His Excellency Eng. Tarek El Molla (Minister of Petroleum & Mineral Resources of the Arab Republic of Egypt), EGPC and the Company . The agreement, and the improved fiscal terms, are retroactively effective from November 2020.

While in full cost recovery mode, Contractor's share of revenue increases from c.42% to c.50% as from November 2020 (corresponding to additional net revenues to Contractor of c.$7 million to the date of signature) significantly lowering the development project break-even. The new arrangements will strongly encourage new exploration and development investments, aimed at maintaining and increasing production rates and optimising resources, to the mutual benefit of Egypt and the Contractor parties.

The Third Amendment also grants Contractor a three-and-a-half-year extension to the exploration term of the El Fayum Concession Agreement, with an additional obligation on Contractor to drill two exploration wells and acquire a 3D seismic survey in the northern area of the concession.

North Beni Suef (NBS)

Interpretation of the large pre-existing 3D seismic survey on the NBS Concession continues with several low risk drillable prospects already identified. Following completion of the farm-down to IPR, the partners are planning to drill two low-risk low-cost commitment wells by end of 2022.

Farm-down transaction and transfer of operatorship

Business integration between IPR, Pharos and local JV operator Petrosilah started as soon as the SPA was signed in September 2021. A Transition Taskforce (TTF) team has been established to promote the smooth transition of operatorship to IPR, transfer the knowledge of Pharos to IPR and set up collaborative partnership environment.

2022 Work Programme

The three-well drilling programme, which commenced in November 2021, is ongoing. Two wells have been completed and are on production, with the third one due to spud soon.

Following award of the drilling rig contract by Petrosilah on behalf of the Joint Venture and upon completion of the transaction with IPR and transfer of operatorship, the Contractor parties expect to commence the main El Fayum multi-year and multi-well development programme in Q2 2022.

Production forecast for 2022 will be evaluated following completion of the farm-down to IPR and transfer of operatorship. Guidance will be given at the AGM.

Vietnam

Vietnam Production

Production in 2021 from the TGT and CNV fields net to the Group's net working interest averaged 5,560 boepd. This is in line with the 2021 production guidance.

TGT production averaged 13,887 boepd gross and 4,120 boepd net to Pharos in 2021 (2020: 15,296 boepd gross and 4,547 boepd net to Pharos). CNV production averaged 5,762 boepd gross and 1,440 boepd net to Pharos in 2021 (2020: 6,223 boepd gross and 1,556 boepd net to Pharos).

Vietnam production guidance for 2022 is 5,000 to 6,000 boepd net.

Vietnam Development and Operations

2021 Activity on TGT

TGT Well Intervention and Development Drilling
In November 2021, the Company announced that the Hoang Long Joint Operating Company (HLJOC) had successfully completed its 2021 four-well development drilling campaign.

The 2021 drilling campaign was completed safely (on 15 November 2021) with four wells successfully drilled ahead of schedule (approximately 54 days ahead) and budget. The production contribution of the drilling campaign mitigated against the field's natural decline and maintained field production levels. The four wells were put on production by November 2021. Overall, field production was affected by the fault of the GTC-A compressor which was down for 74 days while the repair was done. This is now fully back in service.

The results of the drilling and intervention activity will ultimately improve recovery from the field and support the additional opportunities set out in the Full Field Development Plan (i.e. nine contingent wells and an extensive well intervention programme), and a TGT licence extension request to December 2031.

2021 Activity on CNV

As planned, no new drilling activities took place on CNV during 2021. Operations on CNV focused on routine well maintenance and acid stimulation for two wells.

Vietnam Exploration

Blocks 125 & 126
In July 2021, the Company announced the completion of the 3D seismic acquisition commitment on the western part of Block 125 in the Phu Khanh Basin, offshore Vietnam. The 909 km^2 3D seismic programme was acquired on behalf of Pharos by Shearwater GeoServices Singapore Pte Ltd, using the SW Vespucci seismic vessel, across water depths of between 100m and 2,300m.

The capital spend for the acquisition of the 3D survey was $8.5m. The seismic processing contract has been awarded, the work is on schedule and the final processed results are expected in July 2022.

On 8 September 2021, Pharos received approval for a two-year extension to the initial exploration phase of the Block 125 & 126 PSC from the Vietnamese Ministry of Industry and Trade.

2022 Work Programme

Following completion of the drilling of the initial four development wells in the TGT Full Field Development Plan (FFDP) and the HLJOC management committee's budget approval in 2021, two additional TGT development wells are planned to be drilled in Q3 2022, with the Group's share of the cost of the wells expected to funded from cash flow. In addition, extensive well interventions are planned for TGT in 2022.

On CNV, one well is planned to be drilled in Q4 2022 after completion of the drilling of the two TGT wells.
Additionally, as part of the work programme, the JOC is progressing work on submitting licence extension requests for both TGT & CNV, with a Revised Full Field Development Plan ("FFDP") for both fields to be submitted by Q4 2022. This would take the licence terms out to December 2031 for TGT and December 2032 for CNV and would add two years of reserves to the production profiles and economics for these fields.

On Block 125, final 3D seismic processed results are expected in July 2022. Following this, the Group will proceed to seismic mapping to identify prospects and expects to seek a further partner on the PSC before drilling.

Israel

Pharos, with Capricorn Energy PLC (formerly known as Cairn Energy PLC) and Israel's Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Capricorn Energy is the operator. Evaluation of all reprocessed seismic data has been finalised with an assessment of prospectivity being undertaken.

Group Reserves and Contingent Resources

The Group Reserves Statistics table below summarises our reserves and contingent resources based on the Group's unitised net working interest in each field. Gross reserves and contingent resources have been independently audited by RISC Advisory Pty Ltd (RISC) for Vietnam and McDaniel & Associates Consultants Ltd. (McDaniel) for Egypt.

Group Reserves Statistics

Net Working Interest (mmboe)	TGT	CNV	Vietnam[3]	Egypt[4]	Group
Oil & Gas 2P Commercial Reserves [1,2]					
As of 1 January, 2021	13.0	4.9	17.9	40.8	58.7
Production	(1.5)	(0.5)	(2.0)	(1.2)	(3.2)
Revision	(0.6)	(0.1)	(0.7)	(1.8)	(2.5)
2P Commercial Reserves as of 31 December 2021	**10.9**	**4.3**	**15.2**	**37.8**	**53.0**
Oil & Gas 2C Contingent Resource [1,2]					
As of 1 January, 2021	8.3	3.9	12.2	19.0	31.2
Revision	(0.7)	(0.1)	(0.8)	(0.4)	(1.2)
2C Contingent Resources as of 31 December 2021	**7.6**	**3.8**	**11.4**	**18.6**	**30.0**
Total Group 2P Reserves & 2C Contingent Resources [3,4] As of 31 December 2021	**18.5**	**8.1**	**26.6**	**56.4**	**83.0**

(1) Reserves and contingent resources are categorised in line with 2018 SPE standards.
(2) Assumes an oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
(3) Reserves and Contingent Resources have been independently audited by RISC
(4) Reserves and Contingent Resources have been independently audited by McDaniel, 100% working interest pre-farm-down with IPR.

Vietnam Reserves and Contingent Resources

In accordance with the requirements of its Reserve Base Lending Facility, the company commissioned RISC to provide an independent audit of gross (100% field) reserves and contingent resources for TGT and CNV as of 31 December 2021.

Vietnam Reserves Statistics

Net Working Interest (mmboe)	TGT	CNV	Total Vietnam
Oil & Gas 2P Commercial Reserves [1,2]			
As of 1 January, 2021	13.0	4.9	17.9
Production	(1.5)	(0.5)	(2.0)
Revision	(0.6)	(0.1)	(0.7)
2P Commercial Reserves as of 31 December 2021	**10.9**	**4.3**	**15.2**
Oil & Gas 2C Contingent Resource [1,2]			
As of 1 January, 2021	8.3	3.9	12.2
Revision	(0.7)	(0.1)	(0.8)
2C Contingent Resources as of 31 December 2021	**7.6**	**3.8**	**11.4**
Total Vietnam 2P Reserves & 2C Contingent Resources [3] As of 31 December 2021	**18.5**	**8.1**	**26.6**

(1) Reserves and contingent resources are categorised in line with 2018 SPE standards.
(2) Assumes an oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
(3) Reserves and contingent resources have been independently audited by RISC.

On TGT, 2P reserves and 2C contingent resources were revised downwards due to lower-than-expected well performance and reduced well intervention activity in the second half of the year because of drilling operations.

On CNV, the 2P reserves and 2C contingent resources were revised downwards due to lower than anticipated results from the well interventions completed in the first half of 2021.

Egypt Reserves and Contingent Resources

Egypt Reserves Statistics

Net Working Interest (mmboe)	Egypt
Oil 2P Commercial Reserves [1]	
As of 1 January, 2021	40.8
Production	(1.2)
Revision	(1.8)
2P Commercial Reserves as of 31 December 2021	**37.8**
Oil 2C Contingent Resource [1]	
As of 1 January, 2021	19.0
Revision	(0.4)
2C Contingent Resources as of 31 December 2021	**18.6**
Total Egypt 2P Reserves & 2C Contingent Resources [2] As of 31 December 2021	**56.4**

(1) Reserves and contingent resources are categorised in line with 2018 SPE standards.
(2) Reserves and Contingent Resources have been independently audited by McDaniel, 100% working interest pre-farm-down with IPR. .

On El Fayum, lower than expected field performance and the delay in the implementation of the field development plan have resulted in a downwards revision of the 2P reserves and 2C contingent resources.

Group's Net Working Interest Reserves and Contingent Resources

El Fayum Fields at 31 December 2021 (mmboe)

Reserves	1P	2P	3P
Oil	16.8	37.8	50.2
Contingent Resources	1C	2C	3C
Oil	7.5	18.6	38.8
Sum of Reserves and Contingent Resources [1,2]	1P & 1C	2P & 2C	3P & 3C
Total	**24.3**	**56.4**	**89.0**

(1) Reserves and Contingent Resources have been audited independently by McDaniel, 100% working interest pre-farm-down with IPR.
(2) The summation of Reserves and Contingent Resources has been prepared by the Company.

TGT Field at 31 December 2021 (mmboe) (net to Group's working interest)

Reserves[3]	1P	2P	3P
Oil	8.0	10.0	12.0
Gas[1]	0.6	0.9	1.2
Total	**8.6**	**10.9**	**13.2**
Contingent Resources[3]	1C	2C	3C
Oil	4.2	7.2	10.2
Gas[1]	0.1	0.4	0.7
Total	**4.3**	**7.6**	**10.9**
Sum of Reserves and Contingent Resources[2]	1P & 1C	2P & 2C	3P & 3C
Oil	12.2	17.2	22.2
Gas[1]	0.7	1.3	1.9
Total	**12.9**	**18.5**	**24.1**

(1) Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
(2) The summation of Reserves and Contingent Resources has been prepared by the Company.
(3) Reserves and Contingent Resources have been audited independently by RISC.

CNV Field at 31 December 2021 (mmboe) (net to Group's working interest)

Reserves[3]	1P	2P	3P
Oil	2.4	2.8	3.2
Gas[1]	1.2	1.5	1.7
Total	**3.6**	**4.3**	**4.9**
Contingent Resources[3]	1C	2C	3C
Oil	1.5	2.5	3.5
Gas[1]	0.8	1.3	1.9
Total	**2.3**	**3.8**	**5.4**
Sum of Reserves and Contingent Resources[2]	1P & 1C	2P & 2C	3P & 3C
Oil	3.9	5.3	6.7
Gas[1]	2.0	2.8	3.6
Total	**5.9**	**8.1**	**10.3**

(1) Assumes oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
(2) The summation of Reserves and Contingent Resources has been prepared by the Company.
(3) Reserves and Contingent Resources have been audited independently by RISC.

Chief Financial Officer's Statement

Finance strategy

Our finance strategy continues to underpin the Group's business model and goes hand in hand with our commitment to building shareholder value through capital growth and sustainable dividends. In 2021, we recommenced investment in Vietnam and with the additional liquidity offered by our farm-in partner in Egypt, we are on the path back to focusing on investing for cash flow generation and growth in 2022.

Operating performance

Revenues

Group revenues for the year totalled to \$163.8m prior to hedging loss of \$29.7m, representing a 38% increase over the prior year (2020: \$118.3m plus hedging gain of \$23.7m).

The revenue for Vietnam of \$131.0m (2020: \$87.7m) increased significantly year on year. The average realised crude oil price was \$72.61/bbl (2020: \$44.70/bbl), a 62% increase year on year, and the premium to Brent was just under \$2/bbl (2020: just over \$3/bbl). Production, however, declined from 6,103 boepd to 5,560 boepd primarily due to the GTC-A compressor fault on the TGT field in November 2021.

The revenue for Egypt of \$32.8m (2020: \$30.6m) increased largely as a result of the higher average realised crude oil price, up 76% to \$65.12/bbl (2020: \$37.08/bbl), offset by lower average production, of 3,318 boepd from 5,270 boepd . There are two discounts applied to the El Fayum crude production – a general Western Desert discount and one related specifically to El Fayum. Both are set by EGPC and combined stayed consistent at nearly \$5/bbl over the year.

Operating costs

Group cash operating costs were \$52.0m (2020: \$48.3m). Vietnam increased by 17% from \$26.5m to \$31.0m in 2021, which equates to \$15.28/bbl (2020: \$11.86/bbl). The increase is due to higher costs relating to the FPSO as a result of (i) lower TLJOC production throughput which increased Pharos' share of the costs and (ii) higher foreign contractor's withholding tax, of which the CIT element impacts the FPSO costs included in operating costs, from 2% to 5% from 27 August 2018 to date, which was also spread over fewer produced barrels. Cash operating costs in Egypt were \$21.0m in 2021 (2020: \$21.8m), which equates to \$17.34/bbl (2020: \$11.30/bbl). The decrease in cash operating costs relates predominantly to a reduction in variable costs as a result of decreased production, partially offset by higher well workover costs, but spread over fewer produced barrels.

DD&A

Group DD&A associated with producing assets decreased to \$51.0m (2020: \$63.3m) due to the lower depreciating cost base following 2020 impairments taken on both Vietnam and Egypt, combined with lower production. DD&A per bbl is currently \$21.19/boe for Vietnam (2020: \$21.40/boe) and \$6.61/boe in Egypt (2020: \$8.04/boe).

Administrative Expenses

Administrative expenses in 2021 of \$13.2m (2020: \$14.7m) are lower than prior year, due to continuous efforts to reduce the head office costs. After adjusting for the non-cash items under IFRS 2 Share Based Payments of \$2.2m (2020: \$2.8m) and IFRS 16 Leases \$nil (2020: \$0.7m), the administrative expense is \$11.0m (2020: \$11.2m). Voluntary staff salary reductions at 20% continued from 2020 through to 1Q 2021. The executive directors, who had previously volunteered a 35% reduction in base salary in 2020 agreed to a further reduction from 1 April 2021 to 50% of base salary. The non-executive directors reduced their fees throughout most of 2020 and continued those reductions throughout the whole of 2021. The fees will revert to previous levels post completion of the transaction with IPR. A programme of phased redundancies took place at head office in London during 2021.

Operating Profit

Operating profit from continuing operations for the year was \$6.3m (2020: \$3.5m) excluding the net impairment reversal of \$42.0m (2020: \$234.8m impairment charge), reflecting the higher commodity price environment throughout the year, offset by lower production volumes.

Other/Restructuring Expenses

Other/restructuring expenses for the year totalled $3.3m (2020: $5.8m) and included restructuring costs for both the head office in London and the Egypt office in Cairo ($3.0m). In addition, there was $0.3m charge relating to the premium on the transfer of the lease on the London office.

Finance Costs

Finance costs increased to $6.4m (2020: $4.2m), mainly related to amortisation of capitalised borrowing costs of $2.4m (2020: $1.5m gain due to changes in future cash flows), interest expense payable and similar fees of $3.8m (2020: $4.8m) and unwinding of discount on provisions of $0.8m (2020: $0.8m).

Cash operating cost per barrel*	2021 $m	2020 $m
Cost of sales	114.6	123.8
Less		
Depreciation, depletion and amortisation	(51.0)	(63.3)
Production based taxes	(10.1)	(7.0)
Inventories	0.1	(2.3)
Other cost of sales	(1.6)	(2.9)
Cash operating costs	52.0	48.3
Production (BOEPD)	8,878	11,373
Cash operating cost per BOE ($)	16.05	11.60

DD&A per barrel*	2021 $m	2020 $m
Depreciation, depletion and amortisation	(51.0)	(63.3)
Production (BOEPD)	8,878	11,373
DD&A per BOE ($)	15.74	15.21

Cash operating cost per barrel by Segment	Vietnam $m	Egypt $m	Total $m
Cost of sales	84.3	30.3	114.6
Less			
Depreciation, depletion and amortisation	(43.0)	(8.0)	(51.0)
Production based taxes	(9.8)	(0.3)	(10.1)
Inventories	0.1	-	0.1
Other cost of sales	(0.6)	(1.0)	(1.6)
Cash operating costs	31.0	21.0	52.0
Production (BOEPD)	5,560	3,318	8,878
Cash operating cost per BOE ($)	15.28	17.34	16.05

DD&A per barrel by Segment	Vietnam $m	Egypt $m	Total $m
Depreciation, depletion and amortisation	(43.0)	(8.0)	(51.0)
Production (BOEPD)	5,560	3,318	8,878
DD&A per BOE ($)	21.19	6.61	15.74

* Cash operating cost per barrel and DD&A per barrel are alternative performance measures. See page 35.

Movements in Property, Plant and Equipment	2021 $m	2020 $m
As at 1 Jan	435.8	676.9
Capital spend	24.7	33.5
Revision in decommissioning assets	(1.9)	6.6
Disposal of other assets	-	(0.5)
Derecognition of right-of-use asset	-	(5.7)
Re-classification of assets held for sale	(62.0)	-
DD&A- Oil and gas properties	(51.0)	(63.3)
DD&A – Other assets	(0.4)	(1.2)
Impairment reversal/(charge) – PP&E	54.6	(210.5)
As at 31 Dec	399.8	435.8
Property, Plant and Equipment	399.8	435.7
Right-to-use-Asset (IFRS 16 Impact)	-	0.1
As at 31 Dec	399.8	435.8

Taxation

The overall net tax charge of $43.3m (2020: $25.6m credit) relates to tax charges in Vietnam of $24.8m plus the deferred tax charge on impairment reversal of $18.5m (2020: Vietnam tax charges of $11.1m offset by a deferred tax credit on impairment of $36.7m).

The Group's effective tax rate approximates to the statutory tax rate in Vietnam of 50%, after adjusting for non-deductible expenditure and tax losses not recognised.

The Egypt concessions are subject to corporate income tax at the standard rate of 40.55%, however responsibility for payment of corporate income taxes falls upon EGPC on behalf of Pharos El Fayum (PEF). The Group records a tax charge, with a corresponding increase in revenue, for the tax paid by EGPC on its behalf. Due to accumulated tax-deductible balances, there is no tax due on PEF this period.

One of the Group company entered into commodity swaps designated as cash flow hedges. In accordance with IAS 12, a deferred tax asset has not been recognised in relation to the hedging losses of $29.7m recorded in the year as it is unlikely that the UK tax group will generate sufficient taxable profit in the future, against which the deductible temporary differences can be utilised.

Loss post tax

The post tax loss for the year from continuing operations and prior to the impairment reversal of $42.0m, impairment tax charge of $18.5m and exceptional costs of $3.3m was $24.9m (2020: post tax loss for the year of $11.7m from continuing operations and prior to the impairment charge of $234.8m, impairment tax credit of $36.7m and exceptional costs of $5.8m). The overall loss for the year was $4.7m (2020: $215.8m).

Cash flow

Operating cash flow (before movements in working capital) was $60.1m (2020: $70.8m), after tax charges of $39.9m (2020: $26.5m), restructuring expense $0.7m (2020: $2.7m) and working capital adjustments of $8.6m (2020: $14.7m), the cash generated from operations was $10.8m (2020: $56.4m).

Operating cash flow (before movements in working capital) adjusted for the impact of the hedging positions of $29.7m loss (2020: gain $23.7m) gives an underlying operational performance of $89.8m (2020: $47.1m), which is consistent with the improvement seen in commodity prices offset by the production decrease year on year.

The increase in receivables was $7.2m (2020: decrease in receivables of $19.6m). The movement is mainly commodity price driven, from YE20 the average oil price realised has increased from $44.70/bbl to $70.95/bbl, therefore increasing the receivables balance held at YE21.

Capital expenditure on continuing operations for the year was relatively flat at $41.8m (2020: $41.3m). All discretionary capex was deferred during 2020 following the oil price crash to preserve balance sheet strength and liquidity. During 2021, the TGT four well infill development was successfully carried out within schedule and under budget. Egypt capital expenditure included the drilling of commitment exploration well Batran-1X in May 2021 and a three-well back-to-back development drilling programme commenced in November 2021.

Net cash inflows from financing activities of $31.1m (2020: $48.5m outflow) included net inflow of the RBL totalling $20.9m following the refinancing in July 2021 ($21.8m further borrowing, offset by $0.9m settlement of the original RBL). The revised RBL has provided access of up to a committed $100m with a further $50m available on an uncommitted "accordion" basis and has a four year term that matures in July 2025. In 2020, the significant decrease in the oil price during H1 2020 led to a reduction in the borrowing base and principal repayments during the year on the RBL totalled $42.8m. In addition for 2021, the Group drew down on a new facility with National Bank of Egypt for a net amount of $6.5m ($18.1m principal facility, less $11.6m of repayments). The carrying amount of our trade receivables balance includes receivables in Egypt which are subject to an Uncommitted Revolving Credit Facility for Discounting (with Recourse) arrangement. This facility has been put in place to mitigate the risk of late payment of our debtors. Under this arrangement, Pharos is able to access cash from the facility using the El Fayum oil sales invoices as evidence to support its ability to repay the facility. The oil sales invoices remain due to Pharos and it retains the credit risk. The Group therefore continues to recognise the trade receivables in their entirety on the balance sheet.

In January 2021, also within financing activities, the Company announced the successful completion of the placing, subscription and retail offer resulting in the issue of 44,661,490 new ordinary shares. Through this transaction, Pharos raised additional capital of $10.9m (net of direct issue costs of $0.8m).

No final dividend was paid for the year (2020: $nil).

Tax strategy and total tax contribution

Tax is managed proactively and responsibly with the goal of ensuring that the Group is compliant in all countries in which it holds interests. Any tax planning undertaken is commercially driven and within the spirit as well as the letter of the law.

This approach forms an integral part of Pharos' sustainable business model.

The Group's Code of Business Conduct & Ethics seeks to build open, cooperative and constructive relationships with tax authorities and governmental bodies in all territories in which it operates. The Group supports greater transparency in tax reporting to build and maintain stakeholder trust. We have a number of overseas subsidiaries which were set up some time ago and the Group is now proactively planning to bring these into the UK tax net to ensure greater transparency and comparability. No additional taxes are expected to be due as a result of this exercise.

During 2021, the total payments to governments for the Group amounted to $198.2m (2020: $150.9m), of which $151.9m or 77% (2020: $104.9m or 70%) was related to the Vietnam producing licence areas, of which $102.6m (2020: $72.5m) was for indirect taxes based on production entitlement. In Egypt payments to government totalled $44.7m (2020: $42.2m), of which $44.1m (2020: $41.3m) related to indirect taxes based on production entitlement.

Balance sheet

Intangible assets increased during the period to $12.4m (2020: $1.5m). Additions for the year related to Blocks 125 & 126 in Vietnam $10.6m (2020: $2.0m), Egypt $3.9m (2020: $1.1m) and $0.7m (2020: $1.2m) for the Israeli bid round licence fee. The Group has written off $2.2m relating to the Israel asset as no substantive expenditure has been identified under IFRS 6. In addition, $2.1m of intangible assets relating to the Egypt concessions has been re-classified as assets held for sale.

The movements in the Property, Plant and Equipment asset class are shown above.

Impairment

As a result of ongoing oil price volatility and movements in 2P reserves, we have tested each of our oil and gas producing properties for impairment and impairment reversals. The results of these impairment tests are summarised below. For Vietnam producing properties, the recoverable amount has been determined using the value in use method which constitutes a level 3 valuation within the fair value hierarchy. The recoverable amount is based on the fair value derived from a discounted cash flow valuation of the 2P production profile for each producing property. For Egypt producing property, the recoverable amount has been determined using the value-in-use method.

For CNV, a pre-tax impairment reversal of $3.8m (2020: impairment charge $23.3m) has been reflected in the income statement with an associated deferred tax charge of $1.4m (2020: deferred tax credit $8.7m). As at 31 December 2021, the carrying amount of the CNV oil and gas producing property, after additions of $0.3m, changes in decommissioning asset due to discount rate ($0.9m), DD&A ($10.2m) and the impairment reversal ($3.8m), is $84.2m (2020: the carrying amount of the CNV oil and gas producing property, after additions ($1.9m), DD&A ($11.5m) and the impairment charge ($23.3m) was $91.2m).

For TGT, a pre-tax impairment reversal of $49.1m (2020: impairment charge $81.8m) has been reflected in the income statement with an associated deferred tax charge of $17.1m (2020: deferred tax credit $28.0m). As at 31 December 2021, the carrying amount of the TGT oil and gas producing property, after additions of $11.4m, changes in decommissioning asset due to discount rate ($1.0m), DD&A ($32.8m) and the impairment reversal ($49.1m), is $266.0m (2020: the carrying amount of the TGT oil and gas producing property, after additions ($14.8m), DD&A ($36.3m) and the impairment charge ($21.9m) was $239.3m).

For Egypt, an impairment reversal (pre- and post-tax) in the amount of $1.7m (2020: impairment charge $105.4m) has been reflected in the income statement. As at 31 December 2021, the carrying amount of the Egypt oil and gas producing property, after additions ($12.9m), re-classification of PP&E to assets held for sale of ($1.4m), DD&A ($8.0m) and the impairment reversal ($1.7m), is $109.3m (2020: the carrying amount of the Egypt oil and gas producing property, after additions ($22.7m), DD&A ($15.2m) and the impairment charge ($105.4m) was $104.1m). After the reclassification to assets held for sale, the Egypt oil and gas producing property amounts to $49.2m.

The total non-cash, post tax impairment reversal amounts to $36.1m and the balance sheet carrying values of the oil and gas producing properties stands at $399.4m, after reclassification of assets held for sale in relation to Egypt of $61.6m (2020: the total non-cash, post tax impairment charge amounts to $173.8m and the balance sheet carrying values of the oil and gas producing properties stood at $434.6m). Further details of these impairment charges and oil price scenario sensitivity testing, including key assumptions in relation to oil price, discount rate and 2P reserves in Vietnam, are provided in Note 10 of the financial statements.

The agreement post year end of the Third Amendment to the El Fayum Concession Agreement, with retroactive application of the improved fiscal terms from November 2020 and a three and a half year extension to the exploration period was not considered certain at 31 December 2021 and so has been treated as a non-adjusting post balance sheet event. An impairment reversal of $28.2m utilising the circumstances of 31 December 2021 as the basis has been calculated and will be factored into the impairment reviews going forward.

Balance sheet continued

Cash is set aside into abandonment funds for both TGT and CNV. These abandonment funds are operated by PetroVietnam and, as the Group retains the legal rights to the funds pending commencement of abandonment operations, they are treated as other non-current assets in our financial statements.

Oil inventory was $5.9m at 31 December 2021 (2020: $5.6m), of which $5.4m related to Vietnam and $0.5m to Egypt. Trade and other receivables increased to $28.1m (2020: $22.9m) of which $18.2m (2020: $11.2m) relates to Vietnam and $8.5m (2020: $10.0m) to Egypt, driven mainly by the higher oil price and timing of crude oil cargos.

Cash and cash equivalents at the end of the year were $27.1m (2020: $24.6m) mainly due to the RBL refinancing in July and also the Placing in January 2021, offset by the reduction in net cash from operating activities as a result of the hedging losses during the year.

Trade and other payables were $30.6m (2020: $35.6m), of which $14.5m (2020: $23.3m) relates to the Egypt payables, $4.8m (2020: $1.7m) Vietnam payables and $6.5m (2020: $6.8m) net hedging liability. Tax payable decreased to $5.4m (2020: $6.7m), consistent with lower revenues.

Borrowings were $80.5m (2020: $53.7m), an increase of $26.8m and $20.3m related to the RBL refinancing in July, inclusive of capitalised borrowing costs. In April 2021, the Group drew down on the new facility with the National Bank of Egypt and the amount repayable under the agreement at 31 December 2021 was $6.5m (2020: $nil). Net debt was $57.5m (2020: $32.6m).

Long-term provisions comprise the Group's decommissioning obligations and the royalty over the El Fayum asset. In Vietnam, the decommissioning provision decreased from $68.0m at 2020 year-end to $66.9m at 2021 mainly due to an increase in discount rate from 0.9% to 1.5% as a result of an increase in prevailing risk-free market rates, partially offset by the TGT infill well programme. The amounts set aside into the abandonment funds total $48.1m (2020: $45.9m). No decommissioning obligation exists in the El Fayum producing area under the terms of the Concession Agreement in Egypt.

The royalty provision relates to a historical arrangement granting a 3% royalty on Pharos's share of profit oil and excess cost recovery from El Fayum in Egypt. At 31 December 2021, the provision was increased by $0.2m, giving a total of $5.6m ($3.4m of which is deemed to be repayable in 2022).

Own shares

The Pharos EBT holds ordinary shares of the Company for the purposes of satisfying long-term incentive awards for senior management. At the end of 2021, the trust held 1,767,757 (2020: 2,181,655), representing 0.40% (2020: 0.54%) of the issued share capital.

In addition, as at 31 December 2021, the Company held 9,122,268 (2020: 9,122,268) treasury shares, representing 2.02% (2020: 2.24%) of the issued share capital.

Assets held for sale

In December 2021, the Company announced that shareholders had approved the farm-out of 55% of the Group's operated interest in each of our Egyptian Concessions, El Fayum and North Beni Suef, to IPR, a group that has extensive experience in Egypt.

As part of the transaction, IPR will fund Pharos's share of the costs to a maximum of $33.425m (to be adjusted for working capital and interim period adjustments from the effective economic date of 1 July 2020). This is in addition to the deposit at signing of the farm-out agreements of US$2 million and a further US$3 million payable on completion. This investment programme should result in an increase in production and also fulfil commitments under the concessions. In addition, the Group will be entitled to contingent consideration depending on the average Brent Price each year from 2022 to the end of 2025, capped at a maximum total payment of US$20 million.

An impairment of $10.4m was recognised to bring the value of the net assets classified as held for sale down to the fair value less costs to sell calculated as at 31 December 2021. The breakdown of assets held for sale at year end is as follows:

	2021 $m
Intangible assets	2.1
Property, plant and equipment – oil and gas properties - NBV	61.6
Impairment charge – Assets classified as held for sale	(10.4)
Property, plant and equipment – oil and gas properties – after impairment	51.2
Property, plant and equipment – other - NBV	0.4
Inventories	6.3
Trade and other receivables	2.0
Assets classified as held for sale	**62.0**
Trade and other payables	(8.5)
Liabilities directly associated with assets classified as held for sale	**(8.5)**
Net assets classified as held for sale	**53.5**

Going concern

Pharos continuously monitors its business activities, financial position, cash flows and liquidity through detailed forecasts. Scenarios and sensitivities are also regularly presented to the Board, including changes in commodity prices and in production levels from the existing assets, plus other factors which could affect the Group's future performance and position.

A base case forecast has been considered which uses an oil price of $76.9/bbl in 2022 and $70.2/bbl in 2023.The key assumptions and related sensitivities include a "Reasonable Worst Case" (RWC) sensitivity, where the Board has considered the risk of an oil price crash broadly similar to 2020 as a result of the global outbreak of the COVID-19 virus. This assumes the Brent oil price drops to 49.0/bbl in April 2022 and gradually recovers to base price in next 12 months, concurrent with reductions in Vietnam and Egypt production compared to our base case of 5% from March 2022. Both the base case and RWC take into consideration the hedging that has already been put in place for 2022 and 2023 which covers 24.6% of the Group's forecast Q2 2022 to Q2 2023 entitlement volumes securing a minimum and maximum price for this hedged volume of $67.5 and $81.4 per barrel, respectively. Under the RWC scenario, we have identified appropriate mitigating actions, which could look to defer capital expenditure programme as required.

We have also developed a reverse stress test sensitivity, which shows the extent to which oil prices would need to fall before our financial headroom is breached, keeping all other variables unchanged.

In Egypt, the Base case assumes a full investment scenario and a farm-down.

Our business in Vietnam remains robust with a breakeven price of c.$25/bbl. We have limited capital expenditure outside of the two TGT wells and one CNV well in Vietnam over the rest of the business with most falling outside 2022. Most of our debt is secured against the Vietnam assets under the RBL with just $6.5m drawn on an uncommitted revolving credit facility on the Egypt revenue invoices.

The forecasts outlined above show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the 2021 Accounts. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to use the going concern basis of accounting in preparing the annual Financial Statements.

Financial outlook

Pharos' financial strength is founded on our long-term approach to managing capital to provide risk adjusted full cycle returns, which has allowed us to return significant amounts of capital to shareholders in previous years. In a prevailing stronger oil price environment, our focus can turn again to returns to shareholders.

We continue to have the support of our strong RBL lending banks who approved the refinancing of the RBL during July, extending the tenor to July 2025. Additionally, we also signed an uncommitted revolving credit facility with National Bank of Egypt, which provides modest additional liquidity.

The improvement in the fiscal terms and the farm-down of our concessions in Egypt to IPR means that we will enjoy the benefit from completion in 2022 and into 2023 of the carry of our share of operating and capital costs. During the carry period we continue to receive our revenues with only Pharos 100% costs to cover.

The low breakevens and continuation of the TGT infield development plan in Vietnam with two additional wells and one well infield well in CNV will support the production profiles in a strong price environment.

The restructure of the London and Cairo offices will be fully completed following the transfer of operatorship of the Egypt concessions to IPR. The restructure resets the cost base for the Group moving forward.

The measures we have taken during this period have set us up to be able to reap the benefits of stable production from our assets, improved fiscal terms, low breakevens, improved liquidity from our lenders, a streamlined organisation against a background of improved long term prices.

Sue Rivett
Chief Financial Officer

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year to 31 December 2021

	Notes	2021 $ million	2020 $ million
Continuing operations			
Revenue	3	134.1	142.0
Cost of sales	4	(114.6)	(123.8)
Gross profit		19.5	18.2
Administrative expenses		(13.2)	(14.7)
Impairment charge – Intangibles	3, 9	(2.2)	(24.3)
Impairment reversal/(charge) PP&E	3, 10	54.6	(210.5)
Impairment charge – Assets classified as held for sale	14	(10.4)	-
Operating profit/(loss)		48.3	(231.3)
Other/restructuring expense	5	(3.3)	(5.8)
Investment revenue		-	0.1
Finance costs	6	(6.4)	(4.2)
Profit/(loss) before tax	3	38.6	(241.2)
Tax	3,7	(43.3)	25.6
Loss for the year from continuing operations		(4.7)	(215.6)
Discontinued operations	3		
Loss post-tax for the year from discontinued operations		-	(0.2)
Loss for the year		(4.7)	(215.8)
Loss per share from continuing operations (cents)	8		
Basic		(1.1)	(54.6)
Diluted		(1.1)	(54.6)
Loss per share from continuing and discontinued operations (cents)			
Basic		(1.1)	(54.6)
Diluted		(1.1)	(54.6)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year to 31 December 2021

	2021 $ million	2020 $ million
Loss for the year	(4.7)	(215.8)
Items that may be subsequently reclassified to profit or loss:		
Fair value (loss)/gain arising on hedging instruments during the year	(27.7)	20.0
Less: Loss/(gain) arising on hedging Instruments reclassified to profit or loss	29.7	(23.7)
Total comprehensive loss for the year	(2.7)	(219.5)

The above condensed consolidated income statement and condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

		Group		Company	
		2021	2020	2021	2020
	Notes	$ million	$ million	$ million	$ million
Non-current assets					
Intangible assets	9	12.4	1.5	-	-
Property, plant and equipment	10	399.8	435.7	-	-
Right-of-use assets		-	0.1	-	-
Investments		-	-	278.7	268.1
Loan to subsidiaries		-	-	27.4	21.1
Other assets		48.1	45.9	-	-
		460.3	483.2	306.1	289.2
Current assets					
Inventories		10.7	17.7	-	-
Trade and other receivables		28.1	22.9	1.4	1.6
Tax receivables		1.5	0.6	0.4	0.6
Cash and cash equivalents		27.1	24.6	5.3	3.5
Assets classified as held for sale	14	62.0	-	-	-
		129.4	65.8	7.1	5.7
Total assets		589.7	549.0	313.2	294.9
Current liabilities					
Trade and other payables		(30.6)	(35.6)	(4.3)	(2.7)
Borrowings		(33.3)	(12.7)	-	-
Lease Liabilities		-	(0.4)	-	-
Tax payables		(5.4)	(6.7)	(1.0)	(0.4)
Liabilities directly associated with assets classified as held for sale	14	(8.5)	-	-	-
		(77.8)	(55.4)	(5.3)	(3.1)
Non-current liabilities					
Deferred tax liabilities		(91.2)	(85.5)	-	-
Borrowings		(47.2)	(41.0)	-	-
Long term provisions		(69.1)	(73.4)	-	-
		(207.5)	(199.9)	-	-
Total liabilities		(285.3)	(255.3)	(5.3)	(3.1)
Net assets		304.4	293.7	307.9	291.8
Equity					
Share capital		34.9	31.9	34.9	31.9
Share Premium		58.0	55.4	58.0	55.4
Other reserves		250.5	243.0	202.4	197.6
Retained (deficit) / earnings		(39.0)	(36.6)	12.6	6.9
Total equity		304.4	293.7	307.9	291.8

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Group

	Called up share capital $ million	Share premium $ million	Other reserves $ million	Retained earnings /(deficit) $ million	Total $ million
As at 1 January 2020	31.9	55.4	246.6	176.2	510.1
Loss for the year	–	–	–	(215.8)	(215.8)
Other comprehensive loss	–	–	(3.7)	–	(3.7)
Currency exchange translation differences	–	–	0.8	–	0.8
Share-based payments	–	–	2.3	–	2.3
Transfer relating to share-based payments	–	–	(3.0)	3.0	–
As at 1 January 2021	31.9	55.4	243.0	(36.6)	293.7
Loss for the year	–	–	–	(4.7)	(4.7)
Other comprehensive income	–	–	2.0	–	2.0
Shares issued	3.0	2.6	5.3	–	10.9
Share-based payments	–	–	2.5	–	2.5
Transfer relating to share-based payments	–	–	(2.3)	2.3	–
As at 31 December 2021	34.9	58.0	250.5	(39.0)	304.4

Company

	Called up share capital $ million	Share premium $ million	Other reserves $ million	Retained earnings $ million	Total $ million
As at 1 January 2020	31.9	55.4	199.3	268.4	555.0
Loss for the year	–	–	–	(264.5)	(264.5)
Currency exchange translation differences	–	–	0.8	–	0.8
Share-based payments	–	–	2.3	–	2.3
Transfer relating to share-based payments	–	–	(4.8)	3.0	(1.8)
As at 1 January 2021	31.9	55.4	197.6	6.9	291.8
Profit for the year	–	–	–	1.9	1.9
Shares issued	3.0	2.6	5.3	–	10.9
Currency exchange translation differences	–	–	0.1	1.5	1.6
Share-based payments	–	–	2.5	–	2.5
Transfer relating to share-based payments	–	–	(3.1)	2.3	(0.8)
As at 31 December 2021	34.9	58.0	202.4	12.6	307.9

The above condensed statements of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

for the year to 31 December 2021

	Notes	Group 2021 $ million	Group 2020 $ million	Company 2021 $ million	Company 2020 $ million
Net cash from (used in) operating activities	13	10.8	56.4	(7.1)	(16.9)
Investing activities					
Purchase of intangible assets		(15.2)	(3.5)	–	–
Purchase of property, plant and equipment		(24.4)	(35.5)	–	–
Advance consideration on farm out of Egyptian assets		2.0	–	–	–
Payment to abandonment fund		(2.2)	(2.3)	–	–
Other investment in subsidiary undertakings		–	–	(8.4)	(5.4)
Dividends received from subsidiary undertakings		–	–	6.1	21.8
Net cash (used in) from investing activities		(39.8)	(41.3)	(2.3)	16.4
Financing activities					
Repayment of borrowings		(12.5)	(42.8)	–	–
Proceeds from borrowings		39.9	–	–	–
Interest paid on borrowings		(6.8)	(4.6)	–	–
Lease payments		(0.4)	(1.1)	–	(0.5)
Net proceeds from issue of share capital		10.9	–	10.9	–
Net cash from (used in) financing activities		31.1	(48.5)	10.9	(0.5)
Net increase (decrease) in cash and cash equivalents		2.1	(33.4)	1.5	(1.0)
Cash and cash equivalents at beginning of year		24.6	58.5	3.5	4.5
Effect of foreign exchange rate changes		0.4	(0.5)	0.3	–
Cash and cash equivalents at end of year		27.1	24.6	5.3	3.5

The above condensed consolidated cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020, but is derived from those accounts. A copy of the statutory accounts for 2020 has been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), this announcement does not itself contain sufficient information to comply with IFRS. The financial statements are presented in US dollars which is the functional currency of each of the Company's subsidiary undertakings.

2. Significant accounting policies

(a) Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards, as issued by the International Accounting Standard Board (IASB). The financial information has also been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as issued by the IASB.

The financial information has also been prepared on a going concern basis of accounting.

(b) New and amended standards adopted by Pharos

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

(c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 year end and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods nor on foreseeable future transactions.

3. Segment information

The Group has one principal business activity being oil and gas exploration and production. The Group's continuing operations are located in South East Asia and Egypt (the Group's operating segments). Africa has been classified as a discontinued operation for all years shown, as the Group disposed of all of its interests in that geographical area in previous years. There are no inter-segment sales. South East Asia and Egypt form the basis on which the Group reports its segment information.

					2021
	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales	131.0	32.8	–	–	163.8
Realised loss on commodity hedges	–	–	–	(29.7)	(29.7)
Total revenue	131.0	32.8	–	(29.7)	134.1
Depreciation, depletion and amortisation - Oil and gas	(43.0)	(8.0)	–	–	(51.0)
Depreciation, depletion and amortisation - Other	–	(0.4)	–	–	(0.4)
Impairment charge – Intangibles[3]	–	–	–	(2.2)	(2.2)
Impairment reversal – PP&E	52.9	1.7	–	–	54.6
Impairment charge – Assets classified as held for sale	–	(10.4)	–	–	(10.4)
Profit (loss) before tax from continuing operations[1]	98.8	(10.1)	–	(50.1)	38.6
Tax charge on operations	(24.8)	–	–	–	(24.8)
Tax charge on impairment reversal	(18.5)	–	–	–	(18.5)

					2020
	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas sales	87.7	30.6	–	–	118.3
Realised gain on commodity hedges	–	–	–	23.7	23.7
Total revenue	87.7	30.6	–	23.7	142.0
Depreciation, depletion and amortisation - Oil and gas	(47.8)	(15.5)	–	–	(63.3)
Depreciation, depletion and amortisation - Other	–	(0.5)	–	(0.7)	(1.2)
Impairment charge – Intangibles[4]	(19.0)	(5.3)	–	–	(24.3)
Impairment charge – PP&E	(105.1)	(105.4)	–	–	(210.5)
Loss (profit) before tax from continuing operations[1]	(121.8)	(124.6)	–	5.2	(241.2)
Loss (post-tax) from discontinued operations	–	–	(0.2)	–	(0.2)
Tax charge on operations	(11.1)	–	–	–	(11.1)
Tax credit on impairment	36.7	–	–	–	36.7

1 Unallocated amounts included in profit/(loss) before tax comprise corporate costs not attributable to an operating segment, investment revenue, other gains and losses and finance costs.
2 Africa operations in Congo and Angola were disposed of on 24 June 2018 and 5 October 2018 respectively.
3 Includes $2.2m write-off of seismic costs relating to Israel exploration Zones A and C.
4 Includes $1.1m write off of Block 125&126 tax receivable (other receivable - current) which was dependent on the E&E being developed.

Included in revenues arising from South East Asia and Egypt are revenues of $128.3m and $32.8m which arose from the Group's two largest customers, who contributed more than 10% to the Group's oil and gas revenue (20202: $61.3m and $30.6m in South East Asia from the Group's two largest customers).

Geographical information

The Group's oil and gas revenue and non-current assets (excluding other receivables) by geographical location are separately detailed below where they exceed 10% of total revenue or non-current assets, respectively:

Revenue

All of the Group's oil and gas revenue is derived from foreign countries. The Group's oil and gas revenue by geographical location is determined by reference to the final destination of oil or gas sold.

	2021 $ million	2020 $ million
Vietnam	131.0	64.4
Egypt	32.8	30.6
China	–	9.4
Malaysia	–	9.2
Other	–	4.7
	163.8	118.3

Non-current assets	2021 $ million	2020 $ million
Vietnam	360.8	330.5
Egypt	51.4	105.3
Israel	–	1.5
	412.2	437.3

Excludes other assets.

4. Cost of sales

	2021 $ million	2020 $ million
Depreciation, depletion and amortisation	51.0	63.3
Production based taxes	10.1	7.0
Production operating costs	53.6	51.2
Inventories	(0.1)	2.3
	114.6	123.8

5. Other/restructuring expense

	2021 $ million	2020 $ million
Egypt acquisition cost – royalty	–	4.9
Redundancy loss/(gain)	3.0	(0.1)
Premium – lease transfer	0.3	1.0
	3.3	5.8

6. Finance Cost

	2021 $ million	2020 $ million
Unwinding of discount on provisions	0.8	0.8
Interest expense payable and similar fees	3.8	4.5
Interest on lease liabilities	–	0.3
Amortisation of capitalised borrowing costs	2.4	(1.5)
Net foreign exchange (gains)/losses	(0.6)	0.1
	6.4	4.2

In 2021 $0.8m relates to the unwinding of discount on the provisions for decommissioning (2020: $0.8m). The provisions are based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of TGT and CNV (currently estimated to be 9-10 years) in the removal and decommissioning of the facilities currently in place.

Following the June and December 2021 redeterminations, together with refinancing completed in July 2021 in relation to the Group's reserve based lending facility, there was a change in estimated future cash flows, as a result a one off gain of $0.5m and amortised cost of $2.9m have been recognised in profit or loss.

7. Tax

	2021 $ million	2020 $ million
Current tax charge	37.6	26.7
Deferred tax credit on operations	(12.8)	(15.6)
Deferred tax charge/(credit) on impairment	18.5	(36.7)
Total tax charge / (credit)	43.3	(25.6)

The Group's corporation tax is calculated at 50% (2020: 50%) of the estimated assessable profit for the year in Vietnam. In Egypt, under the terms of the concession any local taxes arising are settled by EGPC. During 2021 and 2020 both current and deferred taxation have arisen in overseas jurisdictions only.

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

	2021 $ million	2020 $ million
Profit / (Loss) before tax (including discontinued operations)	38.6	(241.4)
Profit / (Loss) before tax at 50% (2020: 50%)	19.3	(120.7)
Effects of:		
Non-taxable income	(8.0)	–
Non-deductible expenses	4.5	24.8
Tax losses not recognised	28.7	57.7
Non-deductible exploration costs written off	–	9.5
Adjustments to tax charge in respect of previous periods	(1.2)	3.1
Tax charge / (credit) for the year	43.3	(25.6)

The prevailing tax rate in Vietnam, where the Group produces oil and gas, is 50%. The tax charge in future periods may also be affected by the factors in the reconciliation above.

The effect of non-deductible exploration costs written off of $9.5m in 2020 related to the impairment of exploration assets in Vietnam.

Non-taxable income principally relates to Vietnam impairment reversal of $(8.0)m (2020: $nil). Non-deductible expenses primarily relate to Vietnam DD&A charges for costs previously capitalised, which are non-deductible for Vietnamese tax purposes of $1.8m (2020: $6.1m) and Vietnam net impairment charge of $nil (2020: $15.9m). A further $2.7m (2020: $2.0m) relates to non-deductible corporate costs including share scheme incentives.

The Egypt concessions are subject to corporate income tax at the standard rate of 40.55%, however responsibility for payment of corporate income taxes falls upon EGPC on behalf of our local subsidiary Pharos El Fayum (PEF). The Group records a tax charge, with a corresponding increase in revenues, for the tax paid by EGPC on its behalf. However, this is only valid if PEF is in a profit making position and no such tax has been recorded this year.

The effect from tax losses not recognised relates to costs, primarily of the Company, deductible for tax in the UK but not expected to be utilised in the foreseeable future. It also includes losses arising in Egypt for which no future benefit can be obtained under the terms of the concession agreement.

8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Group	
	2021 $ million	2020 $ million
Loss from continuing and discontinued operations for the purposes of basic loss per share	**(4.7)**	(215.8)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	**–**	–
Loss from continuing and discontinued operations for the purposes of diluted loss per share	**(4.7)**	(215.8)

	Group	
	2021 $ million	2020 $ million
Loss from continuing operations for the purposes of basic loss per share	**(4.7)**	(215.6)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	**–**	–
Loss from continuing operations for the purposes of diluted loss profit per share	**(4.7)**	(215.6)

	Number of shares (million)	
	2021	2020
Weighted average number of ordinary shares	**437.8**	395.1
Effect of dilutive potential ordinary shares – Share awards and options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**437.8**	395.1

In accordance with IAS 33 “Earnings per Share”, the effects of $14.2m (2020: $1.3m) antidilutive potential shares have not been included when calculating dilutive earnings per share for the year ended 31 December 2021 or 2020, as the Group was loss making.

9. Intangible assets

Intangible assets at 2021 year-end comprise the Group’s exploration and evaluation projects which are pending determination. Included in the additions is Blocks 125 & 126 in Vietnam $10.6m (2020: $2.0m), Egypt $3.9m (2020: $1.1m) of which $0.6m (2020: $0.3m) relates to North Beni Suef, and $0.7m (2020: $1.2m) for Israel.

During 2021, $0.7m was spent in Israel on geoscience and geophysical studies (2020: $1.2m). Pharos continues to hold $2.7m (2020: $2.7m) cash in relation to bank guarantees for the Israeli offshore exploration licenses. At 31 December 2021, the Group has decided to write off the $2.2m in Israel as no substantive expenditure has been identified as indicated in IFRS 6.

At June 2020 and December 2020 an impairment indicator of IFRS 6 was triggered following the Group’s decision to defer all non-essential investment in Vietnam and Egypt at this point. No substantive expenditure for its exploration areas in Vietnam and Egypt was either budgeted or planned in the near future. Exploration costs including costs associated with Blocks 125 & 126 in Vietnam of $17.9m and costs associated with Egypt projects in the amount of $5.3m were written off in the income statement in accordance with the Group's accounting policy on oil and gas exploration and evaluation expenditure. At 31 December 2021, interpretation of the seismic data in relation to Blocks 125 & 126 in Vietnam is still ongoing and the carrying value of the Egypt exploration and evaluation expenditure will be reviewed following the completion of the farm out of the Egypt concessions. Whilst ongoing costs for exploration are forecast and funds available for future exploration, there is not sufficient certainty of recovery to justify the reversal of the past impairment made. This will be kept under review as the exploration activity continues.

10. Property, plant and equipment

As a result of the oil price volatility and movements in 2P reserves, we have tested each of our oil and gas producing properties for impairment. The results of these impairment tests are summarised below. For each producing property, the recoverable amount has been determined using the value in use method which constitutes a level 3 valuation within the fair value hierarchy. The recoverable amount is supported by the fair value derived from a discounted cash flow valuation of the 2P production profile.

Vietnam

The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate, capital spend and 2P reserves (2020: oil price, discount rate, capital spend and 2P reserves). As at 31 December 2021, the fair value of the assets are estimated based on a post-tax nominal discount rate of 11.4% (2020: 11%) and a Brent oil price of $73.9/bbl in 2022, $70.2/bbl in 2023, $67.8/bbl in 2024, $68.0/bbl in 2025 plus inflation of 2.0% thereafter (2020: an oil price of $57.0/bbl in 2022, $59.0/bbl in 2023, $61.0/bbl in 2024 plus inflation of 2.0% thereafter).

For CNV, a pre-tax impairment reversal in the amount of $3.8m has been reflected in the income statement with an associated deferred tax charge of $1.4m. As at 31 December 2021, the carrying amount of the CNV oil and gas producing property, after additions ($0.9m decrease in decommissioning asset offset by $0.3m in additions), DD&A ($10.2m) and impairment reversal ($3.8m), is $84.2m.

For TGT, a pre-tax impairment reversal in the amount of $49.1m has been reflected in the income statement with an associated deferred tax charge of $17.1m. As at 31 December 2021, the carrying amount of the TGT oil and gas producing property, after additions ($1.0m decrease in decommissioning asset offset by $11.4m in additions), DD&A ($32.8m) and after impairment reversal ($49.1m), is $266.0m.

Testing of sensitivity cases indicated that a $5/bbl reduction in long-term oil price used when determining the value in use method would result in post-tax impairments charge (compare to new NBV) of $23.8m on TGT and a $4.5m on CNV. A 1% increase in discount rate would result in post-tax impairments of $4.5m on TGT and $1.5m on CNV.

We have also run sensitivities utilising the IEA (International Energy Agency) scenarios described as being consistent with achieving the COP26 agreement goal to reach net zero by 2050 (the "Net Zero price scenario"). The nominal Brent prices used in this scenario were as follows; $70.2/bbl in 2022, $70.2/bbl in 2023, $67.8/bbl in 2024, $68.0/bbl in 2025, $64.0/bbl in 2026, $59.0/bbl in 2027, $54.0/bbl in 2028, $49.0/bbl in 2029 and $44.0/bbl in 2030. Using these prices and an 11.4% discount rate would result in additional post-tax impairments of $16.9m on TGT and $5.6m on CNV.

The impairment tests for TGT and CNV assume that production ceases in 2029 and 2030 respectively.

Egypt

The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate, capital spend and 2P reserves (2020: oil price, discount rate, capital spend and 2P reserves). As at 31 December 2021, the fair value of the assets are estimated based on a post-tax nominal discount rate of 14% (2020: 14%) and a Brent oil price of $73.9/bbl in 2022, $70.2/bbl in 2023, $67.8/bbl in 2024, $68.0/bbl in 2025 plus inflation of 2.0% thereafter (2020: an oil price of $57.0/bbl in 2022, $59.0/bbl in 2023, $61.0/bbl in 2024 plus inflation of 2.0% thereafter).

An impairment reversal (pre and post-tax) of $1.7m arose on El Fayum as a result of the above impairment test. As at 31 December 2021, the carrying amount of the Egypt oil and gas producing property, after additions ($12.9m offset by $1.4m reclassified 100% to assets held for sale), DD&A ($8.0m) and the impairment reversal, is $109.3m, pre-reclassification to Assets held for sale.

After the reclassification to assets held for sale, the Egypt oil and gas producing property amounts to $49.2m. Testing of sensitivity cases indicated that a $5/bbl reduction in long term oil price used would result in an impairment of $18.1m (compare to new NBV). A 1% increase in discount rate would result in an impairment charge of $3.1m. We have also run a sensitivity using a 14% discount rate and the Net Zero price scenario which would result in an additional impairment of $24.1m.

Other considerations

It is not considered possible to provide meaningful sensitivities in relation to 2P reserves for any of the group's oil and gas producing properties, as the impact of any changes in 2P reserves on recoverable amount would depend on a variety of factors, including the timing of changes in production profile and the consequential effect on the expenditure required to both develop and extract the reserves.

Other fixed assets comprise office fixtures and fittings and computer equipment.

11. Hedge transactions

During 2021, Pharos entered into different commodity (swap and zero collar) hedges to protect the Brent component of forecast oil sales and to ensure future compliance with its obligations under the RBL over the producing assets in Vietnam. The commodity hedges run until December 2022 and are settled monthly. The hedging positions in place at the balance sheet date cover 23% of the Group's forecast production until December 2022, securing a minimum price for this hedged volume of $68.2 per barrel (2020: cover was 42% of the Group's forecast production until December 2021 securing an average price for this hedged volume of $44.7 per barrel).

Pharos has designated the swaps as cash flow hedges. This means that the effective portion of unrealised gains or losses on open positions will be reflected in other comprehensive income. Every month, the realised gain or loss will be reflected in the revenue line of the income statement. For the year end 31 December 2021 a loss of $29.7m was realised (2020: gain of $23.7m). The outstanding unrealised loss on open position as at 31 December 2021 amounts to $4.3m (2020: loss of $6.3m).

The carrying amount of the swaps is based on the fair value determined by a financial institution. As all material inputs are observable, they are categorised within Level 2 in the fair value hierarchy. It is presented in "Trade and other receivables" or "Trade and other payables" in the consolidated statement of financial position. The liability position as of December 2021 was $6.5m (2020: liability position $6.8m).

12. Distribution to Shareholders

The Company is focused on preserving balance sheet strength and has therefore decided to withdraw dividend payments during 2021 and 2020, given the continued uncertainty in the macro environment.

13. Reconciliation of operating profit/(loss) to operating cash flows

	Group		Company	
	2021 $ million	2020 $ million	**2021 $ million**	2020 $ million
Operating profit/(loss)	**47.7**	(231.3)	**(11.5)**	(14.3)
Share-based payments	**2.4**	2.8	**2.4**	2.8
Depletion, depreciation and amortisation	**51.4**	64.5	**–**	0.7
Impairment (reversal)/charge	**(41.4)**	234.8	**–**	–
Operating cash flows before movements in working capital	**60.1**	70.8	**(9.1)**	(10.8)
Decrease (Increase) in inventories	**0.8**	(1.5)	**–**	–
(Increase) Decrease in receivables	**(7.2)**	19.6	**0.4**	(0.1)
Decrease in payables	**(2.2)**	(3.4)	**2.2**	(3.3)
Cash generated by (used in) operations	**51.5**	85.5	**(6.5)**	(14.2)
Interest (paid) received	**(0.1)**	0.1	**–**	–
Other/ redundancy expense outflow	**(0.7)**	(2.7)	**(0.6)**	(2.7)
Income taxes paid	**(39.9)**	(26.5)	**–**	–
Net cash from (used in) operating activities	**10.8**	56.4	**(7.1)**	(16.9)

During the year, a total of $8.3m (2020: $10.2m) of trade receivables due from EGPC in Egypt were settled by way of non-cash offset against trade payables.

14. Assets held for sale

In December 2021, the Company announced that shareholders had approved the farm-out of 55% of the Group's operated interest in each of our Egyptian Concessions, El Fayum and North Beni Suef, to IPR, a group that has extensive experience in Egypt.

As part of the transaction, IPR will fund Pharos's share of the costs to a maximum of $33.425m (to be adjusted for working capital and interim period adjustments from the effective economic date of 1 July 2020). This is in addition to the deposit at signing of the farm-out agreements of US$2 million and a further US$3 million payable on completion. This investment programme should result in an increase in production and also fulfil commitments under the concessions. In addition, the Group will be entitled to contingent consideration depending on the average Brent Price each year from 2022 to the end of 2025, capped at a maximum total payment of US$20 million. We have calculated the contingent consideration using our Brent oil price curve as at 31 December 2021 (not recognised the full $20m).

An impairment of $10.4m was recognised to bring the value of the net assets classified as held for sale down to the fair value less costs to sell calculated as at 31 December 2021.

	2021 $ million
Intangible assets	2.1
Property, plant and equipment – oil and gas properties - NBV	61.6
Property, plant and equipment – other - NBV	0.4
Inventories	6.3
Trade and other receivables	2.0
Impairment charge – Assets classified as held for sale	(10.4)
Assets classified as held for sale	**62.0**
Trade and other payables	(8.5)
Liabilities directly associated with assets classified as held for sale	**(8.5)**
Net assets classified as held for sale	**53.5**

15. Subsequent events

El Fayum Farm-out

Pharos and EGPC have finalised all necessary documents to be presented to the Minister of Petroleum and Natural Resources to approve the transaction with IPR and this approval is expected shortly.

Concession Agreement Amendment El Fayum area

On 19 January 2022, the Third Amendment to the El Fayum Concession Agreement was signed by His Excellency Eng. Tarek El Molla (Minister of Petroleum & Mineral Resources of the Arab Republic of Egypt), EGPC and the Company.

Signature of the Third Amendment was a key Condition Precedent for the transfer of a 55% participating interest (and operatorship) in the El Fayum and North Beni Suef Concessions to IPR Lake Qarun.

Under the terms, the cost recovery percentage will be increased from 30% to 40% allowing Pharos a significantly faster recovery of all its past and future investments. In return, Pharos has agreed to waive its rights to recover a portion of the past costs pool ($115m) and reduce its share of Excess Cost Recovery Petroleum from 15% to 7.5%. While in full cost recovery mode, Contractor’s share of revenue increases from 42.6% to 50.8% as from November 2020 (corresponding to additional net revenues to Contractor of $7.0m to the date of signature).

The relevant final approvals from the Egyptian Government had not been obtained at 31 December 2021 and so this has been accounted as a non-adjusting balance sheet event.

Assuming conditions at 31 December 2021, the discounted cash flows from the remaining 45% share held and calculated for impairment purposes would increase from $49.2m to $77.4m.

16. Preliminary results announced

Copies of the announcement will be available to download from www.pharos.energy. The Annual Report and Accounts, together with notice of the 2022 AGM, will be posted to shareholders in due course.

Non-IFRS measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include cash operating costs per barrel, DD&A per barrel, gearing and operating cash per share. For the RBL covenant compliance, three Non-IFRS measures are included: Net debt, EBITDAX and Net debt/EBITDAX.

Cash-operating costs per barrel

Cash operating costs are defined as cost of sales less DD&A, production based taxes, movement in inventories and certain other immaterial cost of sales.

Cash operating costs for the period is then divided by barrels of oil equivalent produced. This is a useful indicator of cash operating costs incurred to produce oil and gas from the Group's producing assets.

	2021 $ million	2020 $ million
Cost of sales	114.6	123.8
Less:		
Depreciation, depletion and amortisation	(51.0)	(63.3)
Production based taxes	(10.1)	(7.0)
Inventories	0.1	(2.3)
Other cost of sales	(1.6)	(2.9)
Cash Operating Costs	52.0	48.3
Production (BOEPD)	8,878	11,373
Cash operating cost per BOE ($)	16.05	11.60

Cash-operating costs per barrel by Segment (2021)

	Vietnam $ million	Egypt $ million	Total $ million
Cost of sales	84.3	30.3	**114.6**
Less:			
Depreciation, depletion and amortisation	(43.0)	(8.0)	**(51.0)**
Production based taxes	(9.8)	(0.3)	**(10.1)**
Inventories	0.1	-	**0.1**
Other cost of sales	(0.6)	(1.0)	**(1.6)**
Cash operating cost	31.0	21.0	**52.0**
Production (BOEPD)	5,560	3,318	**8,878**
Cash operating cost per BOE ($)	15.28	17.34	**16.05**

Depreciation, depletion and amortisation costs per barrel

DD&A per barrel is calculated as net book value of oil and gas assets in production, together with estimated future development costs over the remaining 2P reserves. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.

	2021 $ million	2020 $ million
Depreciation, depletion and amortisation	(51.0)	(63.3)
Production (BOEPD)	8,878	11,373
DD&A per BOE ($)	15.74	15.21

DD&A per barrel by Segment (2021)

	Vietnam $ million	Egypt $ million	Total $ million
Depreciation, depletion and amortisation	(43.0)	(8.0)	(51.0)
Production (BOEPD)	5,560	3,318	8,878
DD&A per BOE ($)	21.19	6.61	15.74

Net Debt

Net debt comprises interest-bearing bank loans, less cash and cash equivalents.

	2021 $ million	2020 $ million
Cash and cash equivalents	27.1	24.6
Borrowings [1]	(84.6)	(57.2)
Net Debt	(57.5)	(32.6)

[1] Excludes unamortised capitalised set up costs

EBITDAX

EBITDAX is earnings from continuing activities before interest, tax, depreciation, amortisation, impairment of PP&E and intangibles, exploration expenditure and other/restructuring expense items in the current year.

	2021 $ million	2020 $ million
Operating profit/(loss)	48.3	(231.3)
Depreciation, depletion and amortisation	51.4	64.5
Impairment (reversal)/charge	(42.0)	234.8
EBITDAX	57.7	68.0

Net debt/EBITDAX

Net Debt/EBITDAX ratio expresses how many years it would take to repay the debt, if net debt and EBITDAX stay constant.

	2021 $ million	2020 $ million
Net Debt	(57.5)	(32.6)
EBITDAX	57.7	68.0
Net Debt/EBITDAX	1.00	0.48

Gearing

Debt to equity ratio is calculated by dividing interest-bearing bank loans by stockholder's equity. The debt to equity ratio expresses the relationship between external equity (liabilities) and internal equity (stockholder's equity)

	2021 $ million	2020 $ million
Total Debt [1]	84.6	57.2
Total Equity	304.4	293.7
Debt to Equity	0.28	0.20

[1] Excludes unamortised capitalised set up costs

Operating cash per share

Operating cash per share is calculated by dividing net cash from (used in) continuing operations by number of shares in the year.

	2021 $ million	2020 $ million
Net cash from operating activities	10.8	56.4
Weighted number of shares in the year	437,512,648	397,515,684
Operating cash per share	0.02	0.14

GLOSSARY OF TERMS

AGM
Annual General Meeting

bbl
Barrel
boe
Barrels of oil equivalent
boepd
Barrels of oil equivalent per day
bopd
Barrels of oil per day

CASH or cash
Cash, cash equivalent and liquid investments
CAPEX or capex
Capital expenditure
CDP
Formerly the Carbon Disclosure Project
CEO
Chief Executive Officer
CFO
Chief Financial Officer
CNV
Ca Ngu Vang field located in Block 9-2, VIetnam
Company
Pharos Energy plc
Contingent Resources
Those quantities of petroleum to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies
Contractor
The party or parties identified as being, or forming part of, the "CONTRACTOR" as defined in the El Fayum Concession or, as the case may be, the North Beni Suef Concession

DD&A
Depreciation, depletion and amortisation

E&P
Exploration & Production
EBITDAX
Earnings before interest, tax, DD&A, impairment of PP&E and intangibles, exploration expenditure and other/restructuring items in the current year
EBT
Employee benefit trust
E&E
Exploration and Evaluation
EGPC
Egyptian General Petroleum Corporation, an Egyptian state oil and gas company and the industry regulator
El Fayum or the El Fayum Concession
The concession agreement for petroleum exploration and exploitation entered into on 15 July 2004 between the Arab Republic of Egypt, EGPC and Pharos El Fayum in respect of the El Fayum area, Western Desert, as amended from time to time

FFDP
Full Field Development Plan
Financial Statements
The audited financial statements of the Company and the Group for the year ended 31 December 2021 set out on pages 22 to 37.
FPSO
Floating, Production, Storage and Offloading Vessel

G&A
General and administration
GHG
Greenhouse gas
Group
Pharos and its direct and indirect subsidiary undertakings

H&S
Health and Safety
HLHVJOC
Hoang Long and Hoan Vu Joint Operating Companies
HLJOC

Hoang Long Joint Operating Company
HSES
Health, Safety, Environmental and Security
HVJOC
Hoan Vu Joint Operating Company

IFRS
International Financial Reporting Standards
IPR or IPR Energy Group
The IPR Energy group of companies, including IPR Lake Qarun and IPR Energy AG, or such of them as the context may require
IPR Lake Qarun
IPR Lake Qarun Petroleum Co, an exempted company with limited liability organised and existing under the laws of the Cayman Islands (registration number 379306), a wholly owned subsidiary of IPR Energy AG

JOC
Joint Operating Company
JV
Joint venture

k
thousands
kbopd
Thousand barrels of oil per day
km
Kilometre
km^2
Square kilometre

LTI
Lost Time Injury
LTIF
Lost Time Injury Frequency
LTIP
Long Term Incentive Plan

m
million
mmbbl
Million barrels
mmboe
Million barrels of oil equivalent

NBS, North Beni Suef or the North Beni Suef Concession
The concession agreement for petroleum exploration and exploitation entered into on 24 December 2019 between the Arab Republic of Egypt, EGPC and Pharos El Fayum in respect of the North Beni Suef area, Nile Valley
NED
Non-Executive Director
NPV
Net Present Value

Opex
Operational expenditure

Petrosilah
An Egyptian joint stock company held 50/50 between the Contractor parties (being the Pharos Group and IPR Lake Qarun following completion of the farm-down of the El Fayum concession) and the Egyptian General Petroleum Corporation
PSC
Production sharing contract or production sharing agreement
Petrovietnam
Vietnam Oil and Gas Group

Reserves
Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development projects applied
RBL
Reserve Based Lending facility
RISC
RISC Advisory Pty Ltd

Shares
Ordinary Shares

SPA
Sales and Purchase Agreement

TCFD
Task Force on Climate-Related Financial Disclosures established by the G20 Financial Stability Board

TGT
Te Giac Trang field located in Block 16-1, Vietnam

UK
United Kingdom

$
United States Dollar
£
UK Pound Sterling
1C
Low estimate scenario of Contingent Resources
1H
First half
1P
Equivalent to Proved Reserves; denotes low estimate scenario of Reserves
2C
Best estimate scenario of Contingent Resources
2C Contingent Resources
Best estimate scenario of Contingent Resources
2P Reserves
Equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves. Also referred to as 2P Commercial Reserves