PHAROS ENERGY

15 September 2021
2021 Interim Results

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

Interim results for the Half-year to 30 June 2021

Pharos Energy plc, an independent oil and gas exploration and production company, announces its interim results for the six months ended 30 June 2021. An analyst conference call will take place at 1430 BST today.

A separate announcement on the farm-out of the Group's interests in the El Fayum and North Beni Suef Concessions in Egypt (the "Farm-Out Announcement") was published earlier today at www.pharos.energy.

Ed Story, President and Chief Executive Officer, commented:

"We are delighted to announce the farm-out of our onshore Egypt position today. The proposed transaction will result in IPR taking over 55% working interest and operatorship in the El Fayum and North Beni Suef Concessions. IPR is a well-regarded and experienced operator in Egypt and is perfectly positioned to effect the full field development and exploration programmes. We look forward to working with them to realise the full potential of these fields.

The Infill Development Drilling Programme in TGT Field in Vietnam is well underway; the first well drilled is already on production with initial flow rate at 1,600 bopd, the second well is currently being completed, and the third well in the sequence is due to spud shortly.

The signing of the Egyptian farm-out and the infill development programme in Vietnam means that the medium term outlook for the Company is a return to free cash flow and ultimately to distributions to shareholders."

1H 2021 Operational Highlights

- Group working interest 1H 2021 production 9,147 boepd net (1H 2020: 12,093 boepd)
- Vietnam
  - Vietnam 1H 2021 production 5,429 boepd net (1H 2020: 6,114 boepd net)
  - TGT 6-well Infill Development Programme commenced in July 2021; first well drilled and completed successfully ahead of both schedule and budget, second well near completion and the third well due to spud shortly
  - 3D seismic survey acquired in June/July 2021 on Block 125 fulfils the geophysical commitment on both Blocks 125 & 126. Processing results are expected 1H 2022
  - Government approval received in September 2021 for a 2-year extension on Blocks 125 & 126 Exploration Period
- Egypt
  - Egypt 1H 2021 production 3,718 bopd (1H 2020: 5,979 bopd)
  - El Fayum Phase 1B waterflood programme commenced with one workover rig; second workover rig contracted in August to be dedicated to the maintenance programme
  - Batran-1X oil discovery
  - Signing of Egyptian farm-out

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1H 2021 Financial Highlights

- Group revenue $72.9m* prior to hedging losses of $13.7m (1H 2020: $59.0m* prior to hedging gain of $21.1m)
- Cash generated from operations $18.2m[1] (1H 2020: $55.9m)[1]
- Cash operating costs $14.74/bbl[2] (1H 2020: $11.13/bbl)[2]
- Cash balances as at 30 June 2021 of $28.4m (30 June 2020: $37.8m)
- Net debt as at 30 June 2021 of $32.9m[2,3] (30 June 2020: $36.1m)[2]
- Net profit of $6.4m (1H 2020: $268.3m loss), including non-cash impairment reversal after tax of $19.4m (1H 2020: impairment charge after tax $265.5m)
- Forecast cash capex for the full year c.$45m of which $9.5m had been incurred by 30 June 2021 (1H 2020: $31.9m)
- Net debt to EBITDAX of 1.26x [2] (1H 2020: 0.88x) [2]

* Egyptian revenues are given post government take including corporate taxes.
[1] Stated after realised hedging loss of $13.7m (1H 2020: gain of $21.1m)
[2] See Non-IFRS measures at page 27
[3] Includes RBL and National Bank of Egypt working capital drawdown

1H 2021 Corporate Highlights

- Completion of equity placing, subscription and retail offering in January 2021 which raised gross proceeds of approximately $11.7m; proceeds are being used to fund Phase 1B of the waterflood programme in Egypt
- Reduction in salary of 50% from 1 April 2021 volunteered by all three executive directors in office on that date
- Appointment of Sue Rivett to the Board as Chief Financial Officer ("CFO") effective 1 July 2021
- Head office reorganisation and reduction in headcount to be completed by end of 2021

Outlook

- 2021 Full year Group working interest production guidance updated to 8,700 – 9,500 boepd net
- Vietnam
  - 2021 production guidance range narrowed to 5,500 – 6,000 boepd net
  - TGT Infill Development Well Programme ongoing. The initial four-well programme to be completed 2021, with two additional wells in 2022
  - Proactive management of the existing producing TGT reservoirs continues through an active well intervention programme
  - Submission of the revised CNV Revised Full Field Development Plan at the end of 2021, subject to partners' approval
  - Final processed 3D seismic results over Block 125 are expected in 1H 2022
- Egypt
  - 2021 production guidance updated to 3,200 – 3,500 bopd
  - Return to drilling with an interim 3-well programme commencing in October to accelerate production enhancement ahead of farm-out partner resuming operatorship
  - The investment funds required to develop the fields in the initial 57 well producer and injector programme will become available following completion of the farm-out to IPR Lake Qarun Petroleum Co., a wholly owned subsidiary of IPR Energy AG
  - Testing of the recently drilled Batran-1X exploration discovery well in 4Q 2021
  - Parliamentary approval on the Third Amendment to the El Fayum Concession Agreement awaited. The Amendment is expected to be backdated to November 2020 and will increase contractor revenue take by c.20%
- Israel
  - Seismic reprocessing in order to mature prospectivity ahead of a drilling decision in 3Q 2022 concluded in 3Q 2021

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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, 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). 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 Cairn Energy plc and Israel's Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Cairn is the operator.

Review of Operations

Vietnam

Vietnam Production

Production for the first half of 2021 from the TGT and CNV fields net to the Group's working interest averaged 5,429 boepd (1H 2020: 6,114 boepd). This is in line with the Vietnam 2021 production guidance of 5,200-6,200 boepd.

TGT 1H 2021 production averaged 13,401 boepd gross and 3,976 boepd net to Pharos (1H 2020: 14,878 boepd gross and 4,431 boepd net). CNV 1H 2021 production averaged 5,813 boepd gross and 1,453 boepd net to Pharos (1H 2020: 6,731 boepd gross and 1,683 boepd net).

Vietnam Development and Operations.

Block 16-1 – TGT Field

The producing TGT Field is located in 47m of water depth in the Cuu Long Basin offshore southern Vietnam.

In July 2021, the TGT-H4-34P well, the first of four infill development wells, was spudded from the H4 wellhead platform at the southern end of the TGT field using the jack-up drilling rig PVDII. Planned Total Depth ("TD") was reached in early August, the well was completed and brought into production on 23 August through the existing TGT processing facilities. The 34P well initial flow rate of approximately 1,600 bopd was in line with expectations, further behind pipe potential will be accessed in a second phase of perforations.

The drilling rig is now currently operating at the H5 platform on the second well in the sequence, TGT-H5-12XPST which spudded on 24 August 2021 and reached TD on 7 September 2021.

The initial four-well programme will be expected to be finished in 4Q this year with an additional two wells to be drilled in 2022 pending budgetary approval later this year.

The full infill programme is expected to increase gross TGT production by 5-6,000 boepd to around 20,000 boepd.

The capital spend for the initial four-well programme is c.$13m net to Pharos.

Block 9-2 – CNV Field

On Block 9-2 – CNV Field, routine well intervention work, comprising of acidising plugged perforations in two existing producing wells, was performed as planned. The gross production gain was approximately 150 bopd.

Vietnam Exploration

Blocks 125 & 126

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 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 to 2,300m.

The cash capital spend for the acquisition of the 3D survey was $8.5m. The seismic processing contract has been awarded and the final seismic processed results are expected in 1H 2022.

On 8 September 2021, Pharos received approval for a 2-year extension to the terms of Phase 1 of Block 125 & 126 Exploration Period from the Ministry of Industry and Trade.

Vietnam operational focus for remainder of 2021

- Vietnam
  - Full year 2021 production guidance range narrowed from 5,200 – 6,200 boepd to 5,500 – 6,000 boped net
  - Continuation of the Infill Development Well Programme in the TGT Field. The initial four-well programme is expected to extend until the end of this year, and the timing of the drilling of the final two additional wells in 2022 awaits budgetary approval later this year
  - Proactive management of the existing producing TGT reservoirs continues through an active well intervention programme
  - Submission of the revised CNV Revised Full Field Development Plan at the end of 2021; subject to partners' approval
  - The final processed 3D seismic results over Block 125 are expected in 1H 2022

Egypt

El Fayum Production, Operations and Development

Production for the first half of 2021 from the El Fayum Concession averaged 3,718 bopd (1H 2020: 5,979 bopd). Production levels were impacted by well maintenance issues in the first half and the inability of the one workover rig to cover both the Phase 1B waterflood programme and remedial activity. Plans in place to accelerate production enhancement in the second half of the year include the arrival of a second workover rig in August and the recommencement of drilling in 4Q 2021 with a first drilling rig to be operational since March 2020.

The reduced levels of activity in the El Fayum fields since the beginning of the pandemic in March 2020 has resulted in a number of remedial well maintenance interventions being required. The workover rig assigned to the planned 9-month Phase 1B waterflood programme supported the well intervention work on producing wells requiring maintenance (predominantly ESP and sucker rod pump replacements) until the second workover rig arrived on site in mid-August. Both the waterflood and the well intervention work are now back on track. The first drilling rig is expected to arrive in October and will be operational in 4Q 2021. During this interim period, production is via primary depletion until the initial 57 well development programme and Phase 2 waterflood programme commences in 2022.

The main drive mechanism of primary depletion combined with various operational delays has meant that guidance for Egypt for the year has now been revised down to 3,200 - 3,500 bopd.

El Fayum Exploration

The Batran-1X commitment exploration well, drilled on a fault bounded and three-way-closed dip prospect located 4km west of the Main Tersa-1X well, reached Total Depth on 4 June 2021. The well encountered 52 ft (15.85m) of net oil pay in the LARG and UB sands. Additional thin pay zones may also be present in the Abu Roash “A”, “D” and “E” sands where oil shows were also encountered whilst drilling. Pressure readings confirm that the oil-bearing reservoirs are at initial pressure.

The Batran-1X well will be tested as a potential future producer in the LARG and UB reservoir sections using a workover rig in 4Q 2021.

The preliminary post-well in-place volume and resource estimates for the LARG and UB discoveries are 4.3 mmbbls and 430,000 bbls respectively.

All other exploration drilling activity is on hold.

North Beni Suef (NBS)

Interpretation of the large pre-existing 3D seismic survey on the NBS Concession continues with several drillable prospects having been identified.

Egypt Farm-out

As announced separately by the Company this morning (the “Farm-Out Announcement”), the Group has entered into conditional agreements for the farm-out and sale of a 55% working interest and operatorship in each of the El Fayum and North Beni Suef Concessions to IPR Lake Qarun Petroleum Co., a wholly owned subsidiary of IPR Energy AG. Further details of the farm-out, including the background to and reasons for the transaction and the key terms of the transaction documents, are set out in the Farm-Out Announcement. The farm-out is a Class 1 transaction under the Listing Rules and is conditional, amongst other things, on shareholder approval. Pharos will publish a circular to shareholders in due course, setting out further details of the farm-out and convening the general meeting at which shareholder approval will be sought.

Egypt commercial update

The El Fayum Third Amendment agreement (which includes the fiscal cost recovery change and the licence term extension) approved by EGPC has been submitted to the Parliamentary energy committee. Parliament is in summer recess so approval of the Third Amendment and its ratification by the Parliament is likely to be in 2H 2021.

The improved fiscal terms are expected to be backdated to November 2020 and will increase the contractor share of revenue by around 20% and lower the break-even while in full cost recovery mode.

Egypt operational focus for remainder of 2021

- Egypt
    - 2021 production guidance of 4,000-4,400 bopd net will now not be met because of the decline rates due to primary depletion and various operational delays and is now revised to 3,200 – 3,500 bopd
    - Plans in place to accelerate production enhancement in the second half of the year include the arrival of a second workover rig in August and the recommencement of drilling in 4Q 2021 with an interim 3-well programme
    - The investment funds required to develop the fields in a 57 or 90 well producer and injector programme are expected to become available following successful completion of the farm-out. This will have the effect of increasing the rig count and allow the commencement of the main Phase 2 of the waterflood programme which will lead to a steady increase in production
    - Testing of the recently drilled Batran-1X exploration discovery well in 4Q 2021
    - Parliamentary approval on the Third Amendment to the El Fayum Concession Agreement awaited. The Amendment is expected to be backdated to November 2020 and will increase contractor revenue take by c.20%

Israel

Pharos, together with Cairn Energy plc and Israel's Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Cairn is the operator. Seismic processing in order to mature prospectivity ahead of a drilling decision in 3Q 2022 concluded in 3Q 2021.

HSES

Health and Safety

Safety continues to be high priority for our business, and we are committed to operating safely and responsibly at all times and to providing a safe and healthy working environment for staff and contractors. We are pleased to report that in Egypt and Vietnam we have worked with our partners to maintain our record of zero Lost Time Injury (LTI) frequency rate through the first half of 2021.

At the outset of the COVID-19 pandemic, we took swift and robust action to help our employees, contractors and other stakeholders to stay safe and well. Our production operations in Egypt and Vietnam have not been majorly disrupted by COVID-19 but there have been some delays in projects execution and, in line with the government directives in Egypt, Vietnam and the UK, measures are in place to minimise the risk of any outbreak occurring.

In Vietnam, in addition to following government guidelines, the HLHVJOC have implemented a policy of testing all staff for COVID-19 before transfer to offshore operations. In Egypt, at the El Fayum base camp, Petrosilah has implemented robust health and safety and social distancing measures to mitigate the risk of any cases of COVID-19 arising. In the UK office, staff have been working from home since March 2020 in line with UK governmental guidelines with negligible disruption to the business.

Social Engagement

In Vietnam, Pharos continues to invest in long-term social projects through the HLHVJOC Charitable Donation programme. In the first half of 2021, 12 projects have been approved, ranging from providing healthcare support for underprivileged children to supporting local communities in areas hit hardest by COVID-19. In 1Q 2021, the Group provided financial support for autistic children at Anh Dao Specialised Educational Centre in Ha Tinh province, with additional donations towards providing therapy for children with disabilities at An Tue Social Assistance Centre, Thua Thien Hue province. In 2Q 2021, the Donation Programme helped fund the construction of a community culture house in Hop Hung commune, Vu Ban district, Nam Dinh province. The most recent assistance provided by the Group was financial support for the COVID-19 pandemic prevention fund through the HLHVJOC's Labour Union and the Government's COVID-19 Vaccine Fund through PVEP, and funding to support families in underprivileged areas hit hardest by COVID-19.

Principal and Emerging risks and Uncertainties for the second half of 2021

The Board continues to fulfil its role in risk oversight by developing policies and procedures around risks that are consistent with the organization's strategy and risk appetite, taking steps to foster risk awareness and encouraging a company culture of risk adjusting awareness throughout the Group.

Pharos carried out an assessment of its Principal and Emerging risks at half year 2021 and continues to monitor closely the internal and external evolving risk landscape under the COVID-19 pandemic and the socio macro-economic environment worldwide. The key principal and emerging risks are:

- Further COVID-19 lockdowns dampening oil demand
- Insufficient funds to meet commitments
- Commodity price volatility
- Volatility in production levels
- Climate change and speed of energy transition
- Non-completion of farm-out of Egypt assets
- Partner alignment
- Reserves downgrades
- Cyber security
- Sub-optimal capital allocation
- Political risk and Regional risk
- HSE

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Financial Review

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. Since the downturn in oil price in 1Q 2020 the group has tactically prioritised preserving capital and liquidity over investing in our portfolio for growth. In 2021, we have recommenced investment and with the additional liquidity offered by our farm-in partner, we are on the path back to focusing on investing for cash flow generation.

Highlights

	1H 2021	1H 2020
Production Volumes (boepd)	9,147	12,093
Oil Price Realised ($/bbl)	64.76	40.47
Oil & Gas Price Realised ($/boe)	57.47	37.06
Oil & Gas Sales ($m)	72.9	59.0
Total Revenue ($m)[1]	59.2	80.1
Gross Profit ($m)	7.7	9.1
Operating profit/(loss) ($m)	30.0	(315.4)
Operating profit excluding impairment (reversal)/charge ($m)[2]	2.2	1.6
Cash operating cost per ($/boe)[2]	14.74	11.13
Net debt ($/m)[2]	32.9	36.1
EBITDAX ($/m)[2]	26.1	41.0
Gearing[2]	0.20	0.30

[1] Stated after realised hedging loss of $13.7m (1H 2020: gain of $21.1m)
[2] See Non-IFRS measures at page 27

Operating Performance

Revenue

Oil & gas sales for the period were up 24% to $72.9m (1H 2020: $59.0m). The total Group revenues in the period were impacted by hedging losses of $13.7m (1H 2020: gain $21.1m).

Revenue for Vietnam increased 30% to $56.3m (1H 2020: $43.2m). The average realised crude oil price was $66.47/bbl (1H 2020: $43.43/bbl), a 53% increase. The premium to Brent decreased, representing nearly $2/bbl (1H 2020: $5/bbl). Production declined from 6,114 boepd to 5,429 boepd.

The revenue for Egypt of $16.6m (1H 2020: $15.8m) increased slightly as a result of increased average realised crude oil price, up 74% to $59.70/bbl (1H 2020: $34.31/bbl), offset by lower average production levels, from 5,979 bopd to 3,718 bopd. 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 (the in country regulator) and combined stayed consistent at nearly $5/bbl period over the period.

Group operating costs, DD&A and expenses

Cash operating costs at group level, defined in the Non-IFRS measures section on page 27, amounted to $24.4m (1H 2020: $24.5m) a small reduction in same period last year. On a barrel of oil equivalent basis this was $14.74/boe (1H 2020: $11.13/boe), this reflects the small overall cost reduction impacted by the decrease in production volumes period on period. Cash operating costs in Vietnam increased to $15.3m (1H 2020: $12.5m) in the period which equate to $15.57/bbl (1H 2020: $11.23/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 included in operating costs, from 2% to 5% retroactive from 27 August 2018 till date, which was also spread over fewer produced barrels. Cash operating costs in Egypt were $9.1m (1H 2020: $12.0m) in the period, which equate to $13.52/bbl (1H 2020: $11.03/bbl). The decrease in cash operating costs relates largely to reduction in variable cost as a result of decreased production and a decrease in the number of workovers in comparison to 1H 2020.

DD&A charges on production and development assets decreased to $23.6m (1H 2020: $38.7m) due to lower depreciating cost base following 2020 impairments taken on both Vietnam and Egypt. DD&A per bbl is currently $14.25/boe (1H 2020: $17.58/boe).

Administrative expenses of $5.5m (1H 2020: $7.5m) are considerably lower than the comparative period, this is due to continuous efforts throughout 2020 and 1H 2021 to reduce the head office costs. The non-cash elements included in administration costs (share based payments and depreciation) totalled $1.5m (1H 2020: $1.4m), resulting in a 34% reduction in cash administration costs over the comparative period. Voluntary staff salary reductions at 20% continued from 2020 through to 1Q 2021. The Executives who were on a 35% reduction in base salary brought over from 2020, agreed to a further reduction from 1 April 2021 to 50% of base salary. The Non-Executive reduced their fees throughout most of 2020 and continued those reductions through 1H 2021. A programme of redundancies was announced at head office in 1Q 2021.

Impairment Reversals

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 fair value less costs of disposal 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 $2.2m (1H 2020: impairment charge $15.5m) has been reflected in the income statement with an associated deferred tax charge of $0.8m (1H 2020: deferred tax credit $5.8m). As at 30 June 2021, the carrying amount of the CNV oil and gas producing property, after additions of $0.2m, changes in decommissioning asset due to discount rate ($0.9m), DD&A ($5.0m) and the impairment reversal ($2.2m), is $87.7m (1H 2020: the carrying amount of the CNV oil and gas producing property, after additions ($2.2m), DD&A ($6.4m) and the impairment charge ($15.5m) was $104.4m).

For TGT, a pre-tax impairment reversal of $21.9m (1H 2020: impairment charge $132.0m) has been reflected in the income statement with an associated deferred tax charge of $7.6m (1H 2020: deferred tax credit $45.7m). As at 30 June 2021, the carrying amount of the TGT oil and gas producing property, after additions of $0.7m, changes in decommissioning asset due to discount rate ($2.7m), DD&A ($14.4m) and the impairment reversal ($21.9m), is $244.8m (1H 2020: the carrying amount of the TGT oil and gas producing property, after additions ($15.0m), DD&A ($20.1m) and the impairment charge ($132.0m) was $205.5m).

For Egypt, an impairment reversal (pre- and post-tax) in the amount of $3.7m (1H 2020: impairment charge $146.6m) has been reflected in the income statement. As at 30 June 2021, the carrying amount of the Egypt oil and gas producing property, after additions ($3.3m), DD&A ($4.2m) and the impairment reversal ($3.7m), is $106.9m (1H 2020: the carrying amount of the Egypt oil and gas producing property, after additions ($17.7m), DD&A ($12.0m) and the impairment charge ($146.6m) was $60.5m).

The total non-cash, post tax impairment reversal amounts to $19.4m and the balance sheet carrying values of the oil and gas producing properties stands at $439.4m (1H 2020: the total non-cash, post tax impairment charge amounts to $242.6m and the balance sheet carrying values of the oil and gas producing properties stood at $370.4m). Testing for the Paris compliant oil price scenario would result in an additional post-tax impairment of $10.7m. Further details of these impairment charges, including key assumptions in relation to oil price and discount rate are provided in Note 10 of the interim financial statements.

Hedging

Our hedging positions for the period resulted in a realised loss of $13.7m (1H 2020: gain of $21.1m) as the Brent price improved from $40 to $73. Additionally, the fair value as at 30 June was an unrealised loss of $12.4m for the remaining hedges in place (1H 2020: unrealised gain of $3.0m). The Group is required to hedge 30% of Vietnam production as part of the RBL agreement. Approximately 27% of the Group's forecast production representing 37% of Vietnam's production until June 2022, is hedged at an average price of $55.6/bbl (1H 2020: cover was 35% of the Group's forecast production and 50% of Vietnam's production from July 2020 to September 2021 securing a minimum price for this hedged volume of $44.8/bbl).

Financing costs

Finance costs for the period were $2.9m (1H 2020: $2.7m) mainly related to amortisation of capitalised borrowing costs of $1.0m (1H 2020: $1.0m gain due to changes in future cash flows), interest expense payable and similar fees of $1.8m (1H 2020: $2.7m) and unwinding of discount of provisions $0.3m (1H 2020: $0.6m).

Taxation

The overall net tax charge of $20.3m (1H 2020: $49.6m credit) relates to tax charges in Vietnam of $11.9m plus the deferred tax charge on impairment reversal of $8.4m (1H 2020: Vietnam tax charges of $1.9m offset by the deferred tax credit of $51.5m).

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 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.

Net profit

A net profit was recorded for the period from continuing operations of $6.4m which is after $19.4m post-tax impairment reversal on PPE (1H 2020: loss $268.3m includes $265.5m post-tax impairments on both PPE and Intangibles).

Balance Sheet

Net cash/debt

As at the balance sheet date, $61.3m was drawn under the group's borrowing facilities and there was cash of $28.4m, giving a net debt figure of $32.9m (1H 2020: cash $37.8m and net debt of $36.1m). Gearing has been calculated as total debt to equity of 0.20x (1H 2020: 0.30x).

As at 14 September 2021, the cash balance stood at $44.1m with net debt of $42.3m, following RBL refinancing and the uncommitted revolving credit facility mentioned below.

Borrowings

Reserve Based Lending (RBL)

The RBL is secured over the Vietnam assets only and as at 30 June 2021 had a five-year term maturing in September 2023. A payment of $0.9m was made in January 2021 (1H 2020: $26.1m) and the borrowing base as at 30 June 2021 was $56.3m (1H 2020: $64.5m).

See Non-IFRS measures at page 27.

Uncommitted Revolving Credit Facility (URCF)

In April, the Group drew down on a new facility with the National Bank of Egypt. 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 continue to recognise the receivables in their entirety in its balance sheet. The amount repayable under the agreement at 30 June 2021 was $5.0m (30 June 2020: N/A) and it is presented as unsecured borrowing.

Cash flow

Cash generated from operations was $18.2m (1H 2020: $55.9m) and prior to working capital movements was $27.1m (1H 2020: $42.5m). Stripping out the impact of the hedging positions to the underlying operations numbers gives a total of $40.8m (1H 2020: $21.4m), which is in line with the improvement that we see in commodity prices offset by the production decrease period on period.

The increase in receivables was $5.4m for the period (1H 2020: decrease of $18.5m). The movement is mainly commodity price driven, from YE20 the average oil price realised has increased from $44.70/bbl to $64.76/bbl therefore increasing the receivables balance held at half-year. (1H 2020: the average oil price realised from YE19 decreased from $68.48/bbl to $40.47/bbl therefore decreasing the receivables balance held at half-year).

Placing

In January 2021, the Company announced the successful completion of the Placing of 44,661,490 new Ordinary Shares, as well as the concurrent Subscription and Retail Offer.

Through this equity placing, Pharos raised additional capital of $10.9m (net of direct issue costs of $0.8m - Placing Price £0.1925 converted at the exchange rate as of 21/01/21 of 1.3628). These funds allowed the company to restart its investment in the waterflood programme in the El Fayum oil fields in Egypt as we progress our farm-out process.

Capital allocation

Given the Group's cash resources and the continued uncertainty in the macro environment no dividends are currently recommended.

The Group had a modest capital programme in 1H 2021 of $9.5m (1H 2020: $31.9m), mainly spent in Egypt. $5.3m related to the Batran-1X exploration well and allocated G&A, $1.6m related to preparation of 3Q drilling in TGT and $1.5m was expended in Israel for 2D and 3D seismic reprocessing. In July 2021 we commenced operations on our 4 well drilling campaign in Vietnam on our TGT field and additionally satisfied the 3D seismic exploration commitment on Blocks 125 & 126 also in Vietnam. In 2H 2021 we also expect to spend additional funds in Egypt on the phase 1B waterflood and minor drilling programme to help arrest the production decline ahead of bringing in a new funding partner and embarking on a full field development plan in 2022.

Forecast group cash capital expenditure for the year has increased from $37m to $45m and includes $15m for TGT 4 well drilling programme, $11m for Blocks 125 & 126 3D seismic and $11m for Egypt Phase 1B waterflood programme and 3 well drilling programme.

Liquidity risk management and going concern

The Group closely monitors its liquidity risk. Cash forecasts are regularly produced, and stress tested for a number of scenarios including a downturn in the oil price, changes in production rates, operating costs and capital expenditure. In the current environment of volatile, although strengthen oil prices and continued economic uncertainties created by the COVID-19 pandemic, scenario planning continues to be extensive. Accordingly, stress tests have been run for oil prices down to $45/bbl in 4Q 2021, rising by $5/bbl every 2 months to our base oil price curve, concurrent with reductions in Vietnam and Egypt production compared to our base case of 5%. As at 30 June 2021, the Group had a cash balance of $28.4m and the forecasts show that the Group will have sufficient financial headroom for the period of 12 months from the date of approval of these half year results. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these half year results.

Post balance sheet events

RBL

In July, the Group completed the refinancing of its Reserve Based Lending Facility secured against the Group's producing assets in Vietnam. The new RBL will provide access to up to a committed US$100m with a further US$50m available on an uncommitted "accordion" basis and has a four-year term that matures in July 2025.

In connection with the refinancing, Pharos welcome Société Générale to the banking group alongside BNP Paribas, Crédit Agricole Corporate and Investment Bank and DBS. Société Générale replaces Standard Chartered Bank in the lender group.

The new RBL extends the tenor of the facility by 22 months, allowing for a rephasing of the repayment schedule and the provision of additional near term liquidity within the Group.

Farm-out

The Group has entered into conditional agreements for the farm-out and sale of a 55% working interest and operatorship in each of the El Fayum and North Beni Suef Concessions to IPR Lake Qarun Petroleum Co., a wholly owned subsidiary of IPR Energy AG. Further details of the farm-out, including the background to and reasons for the transaction and the key terms of the transaction documents, are set out in the Farm-Out Announcement. The farm-out is a Class 1 transaction under the Listing Rules and is conditional, amongst other things, on shareholder approval. Pharos will publish a circular to shareholders in due course, setting out further details of the farm-out and convening the general meeting at which shareholder approval will be sought.

Blocks 125 & 126 extension

On 8 September 2021, Pharos received approval for a 2-year extension to the terms of Phase 1 of Block 125 & 126 Exploration Period from the Ministry of Industry and Trade.

Sue Rivett

Chief Financial Officer

Responsibility Statement

The Directors confirm that to the best of their knowledge:

1. The interim condensed consolidated set of financial statements immediately following this report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and adopted by the EU; and

2. The interim report includes a fair review of the information required by:

   - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

   - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

INDEPENDENT REVIEW REPORT TO PHAROS ENERGY PLC

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards and/or as issued by the International Accounting Standards Board. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

14 September 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(unaudited) Six months ended 30 Jun 2021 $ million	(unaudited) Six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Continuing operations				
Revenue	3, 13	59.2	80.1	142.0
Cost of sales	4	(51.5)	(71.0)	(123.8)
Gross profit		7.7	9.1	18.2
Administrative expenses		(5.5)	(7.5)	(14.7)
Impairment charge – Intangibles	3, 9	-	(22.9)	(24.3)
Impairment reversal/(charge) – PP&E	3, 10	27.8	(294.1)	(210.5)
Operating profit/(loss)		30.0	(315.4)	(231.3)
Other/exceptional (expense)/gain	5	(0.4)	0.1	(5.8)
Investment revenue		-	0.1	0.1
Finance costs	6	(2.9)	(2.7)	(4.2)
Profit/(Loss) for the period before tax	3	26.7	(317.9)	(241.2)
Tax	7	(20.3)	49.6	25.6
Profit/(Loss) for the period from continuing operations		6.4	(268.3)	(215.6)
Discontinued operations				
Operating loss from discontinued operations		-	-	(0.2)
Loss post-tax for the period from discontinued operations		-	-	(0.2)
Profit/(Loss) for the period		6.4	(268.3)	(215.8)
Earnings/(Loss) per share from continuing operations (cents)	8			
Basic		1.5	(70.9)	(54.6)
Diluted		1.4	(70.9)	(54.6)
Earnings/(Loss) per share from continuing and discontinued operations (cents)				
Basic		1.5	(70.9)	(54.6)
Diluted		1.4	(70.9)	(54.6)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	(unaudited) Six months ended 30 Jun 2021 $ million	(unaudited) Six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Profit/(Loss) for the period		6.4	(268.3)	(215.8)
Items that may be subsequently reclassified to profit or loss:				
Fair value (loss)/gain arising on hedging instruments during the period		(19.8)	26.7	20.0
Less: Cumulative loss/(gain) arising on hedging instruments reclassified to profit or loss	13	13.7	(21.1)	(23.7)
Unrealised currency translation differences		0.1	0.3	-
Total comprehensive income/(loss) for the period		0.4	(262.4)	(219.5)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	(unaudited) 30 Jun 21 $ million	(unaudited) 30 Jun 20 $ million	31 Dec 20 $ million
Non-current assets				
Intangible assets	9	4.6	0.3	1.5
Property, plant and equipment	10	440.3	372.3	435.7
Right-of-use assets		-	6.7	0.1
Other assets		47.1	44.9	45.9
		492.0	424.2	483.2
Current assets				
Inventories		19.2	16.2	17.7
Trade and other receivables		29.5	20.0	22.9
Derivative financial instruments	13	-	6.7	-
Tax receivables		0.4	0.5	0.6
Cash and cash equivalents		28.4	37.8	24.6
		77.5	81.2	65.8
Total assets		569.5	505.4	549.0
Current liabilities				
Trade and other payables		(25.6)	(29.7)	(28.8)
Derivative financial instruments	13	(14.9)	-	(6.8)
Borrowings		(13.7)	(15.0)	(12.7)
Lease liabilities		-	(1.0)	(0.4)
Tax payable		(4.2)	(3.0)	(6.7)
		(58.4)	(48.7)	(55.4)
Net current assets		19.1	32.5	10.4
Non-current liabilities				
Deferred tax liabilities		(89.9)	(76.1)	(85.5)
Borrowings		(45.0)	(56.0)	(41.0)
Lease liabilities		-	(5.9)	-
Long term provisions		(70.1)	(69.7)	(73.4)
		(205.0)	(207.7)	(199.9)
Total liabilities		(263.4)	(256.4)	(255.3)
Net assets		306.1	249.0	293.7
Equity				
Share capital	15	34.9	31.9	31.9
Share premium	15	58.0	55.4	55.4
Merger reserve	15	5.3	-	-
Other reserves		235.9	251.5	243.0
Retained deficit		(28.0)	(89.8)	(36.6)
Total equity		306.1	249.0	293.7

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Called up share capital $ million	Share Premium $ million	Merger Reserve $ million	Other reserves $ million	Retained (deficit)/ earnings $ million	Total $ million
As at 1 January 2020		31.9	55.4	-	246.6	176.2	510.1
Loss for the period		-	-	-	-	(268.3)	(268.3)
Other comprehensive income		-	-	-	5.9	-	5.9
Currency exchange translation differences		-	-	-	-	-	-
Share-based payments		-	-	-	1.3	-	1.3
Transfer relating to share-based payments		-	-	-	(2.3)	2.3	-
As at 30 June 2020 (unaudited)		31.9	55.4	-	251.5	(89.8)	249.0
Profit for the period		-	-	-	-	52.5	52.5
Other comprehensive loss		-	-	-	(9.6)	-	(9.6)
Currency exchange translation differences		-	-	-	0.8	-	0.8
Share-based payments		-	-	-	1.0	-	1.0
Transfer relating to share-based payments		-	-	-	(0.7)	0.7	-
As at 1 January 2021		31.9	55.4	-	243.0	(36.6)	293.7
Profit for the period		-	-	-	-	6.4	6.4
Other Comprehensive loss		-	-	-	(6.0)	-	(6.0)
Shares Issued	15	3.0	2.6	5.3	-	-	10.9
Share-based payments		-	-	-	1.1	-	1.1
Transfer relating to share-based payments		-	-	-	(2.2)	2.2	-
As at 30 June 2021 (unaudited)		34.9	58.0	5.3	235.9	(28.0)	306.1

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Notes	(unaudited) Six months ended 30 Jun 2021 $ million	(unaudited) Six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Net cash from operating activities	12	0.1	41.0	56.4
Investing activities				
Purchase of intangible assets		(4.2)	(1.4)	(3.5)
Purchase of property, plant and equipment		(4.1)	(29.2)	(35.5)
Payment to abandonment fund		(1.2)	(1.3)	(2.3)
Net cash used in investing activities		(9.5)	(31.9)	(41.3)
Financing activities				
Proceeds from borrowings	14	8.3	-	-
Interest paid on borrowings		(1.8)	(2.9)	(4.6)
Repayment of borrowings		(4.2)	(26.1)	(42.8)
Lease payments		(0.1)	(0.4)	(1.1)
Net proceeds from issue of share capital	15	10.9	-	-
Net cash from/(used in) financing activities		13.1	(29.4)	(48.5)
Net increase/(decrease) in cash and cash equivalents		3.7	(20.3)	(33.4)
Cash and cash equivalents at beginning of period		24.6	58.5	58.5
Effect of foreign exchange rate changes		0.1	(0.4)	(0.5)
Cash and cash equivalents at end of period		28.4	37.8	24.6

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 information for the year ended 31 December 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The half year financial report is presented in US dollars because that is the currency of the primary economic environment in which the Group operates.

The half year financial report for the six months ended 30 June 2021 was approved by the Directors on 14 September 2021.

2. Significant accounting policies

The half year financial report, which is unaudited, has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and International Accounting Standards Board ('IASB') in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the United Kingdom and the disclosure requirements of the Listing Rules and using the same accounting policies and methods of computation as applied by the Company in its 2020 Annual Report and Accounts for the year ended 31 December 2020.

The condensed set of financial statements included in this half year financial report has been prepared on a going concern basis of accounting for the reasons set out in the Financial Results section of this report and in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting', and the requirements of the UK Disclosure and Transparency Rules of the Financial Services Authority in the United Kingdom as applicable to interim financial reporting. A number of judgements were taken in concluding that this basis of preparation was appropriate and that there were no material uncertainties in this regard. These included applying appropriate estimates of future production and oil price together with ensuring that the forecasts included all expenditure that was either committed or expected to be incurred in relation to estimated production volumes. Consideration was also given to the potential ongoing impact of the COVID-19 pandemic. During 2021, the pandemic did not cause any interruptions to the group's producing assets in Vietnam and Egypt.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by Pharos during the interim reporting period.

New and amended standards adopted by the Group

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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

The RBL refinancing announced in July 2021 remains benchmarked on USD LIBOR. Following discussions with the RBL banking group, it is anticipated that this will change to the Secured Overnight Financing Rate (SOFR) in 2022. The carrying amount of the total RBL loan as at June 2021 is $56.3m.

The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Critical judgements and accounting estimates

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2020. These relate to the judgements required in assessing the extent of impairment triggers for intangible exploration and evaluation assets and key sources of estimation uncertainty in relation to: (a) oil & gas reserves and DD&A; (b) impairment of producing oil & gas assets; and (c) climate change and the energy transition.

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 periods 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.

Six months ended 30 June 2021	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas revenue	56.3	16.6	-	-	72.9
Commodity Hedge (see Note 13)	-	-	-	(13.7)	(13.7)
Total Revenue	56.3	16.6	-	(13.7)	59.2
Depreciation, depletion and amortisation – oil and gas	(19.4)	(4.2)	-	-	(23.6)
Depreciation, depletion and amortisation – other	-	(0.3)	-	-	(0.3)
Impairment charge – Intangibles	-	-	-	-	-
Impairment reversal – PP&E	24.1	3.7	-	-	27.8
Profit/(Loss) before tax from continuing operations[1]	42.4	6.0	-	(21.7)	26.7
Tax charge on operations (see Note 7)	(11.9)	-	-	-	(11.9)
Tax charge on impairment reversal (see Note 7)	(8.4)	-	-	-	(8.4)
Non-current assets[3]	333.3	109.7	-	1.9	444.9

Six months ended 30 June 2020	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas revenue	43.2	15.8	-	-	59.0
Commodity Hedge (see Note 13)	-	-	-	21.1	21.1
Total Revenue	43.2	15.8	-	21.1	80.1
Depreciation, depletion and amortisation – oil and gas	(26.5)	(12.2)	-	-	(38.7)
Depreciation, depletion and amortisation – other	-	(0.3)	-	(0.4)	(0.7)
Impairment charge – Intangibles	(18.1)	(4.8)	-	-	(22.9)
Impairment charge – PP&E	(147.5)	(146.6)	-	-	(294.1)
(Loss)/Profit before tax from continuing operations[1]	(169.0)	(160.8)	-	11.9	(317.9)
Tax charge on operations (see Note 7)	(1.9)	-	-	-	(1.9)
Tax credit on impairment charge (see Note 7)	51.5	-	-	-	51.5
Non-current assets[3]	309.9	62.4	-	7.0	379.3

Year end 31 December 2020	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas revenue	87.7	30.6	-	-	118.3
Commodity Hedge	-	-	-	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	(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 (see Note 7)	(11.1)	-	-	-	(11.1)
Tax credit on impairment charge (see Note 7)	36.7	-	-	-	36.7
Non-current assets[3]	330.5	105.3	-	1.5	437.3

[1]Unallocated amounts included in profit/(loss) before tax comprise corporate costs not attributable to an operating segment, investment and hedging revenue, other gains and losses and finance costs.
[2] As of December 2018, Africa operations had been disposed.
[3] Excludes other assets.

4. Cost of sales

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Depreciation, depletion and amortisation	**23.6**	38.7	63.3
Production based taxes	**4.4**	2.4	7.0
Production operating costs	**25.2**	26.1	51.2
Inventories	**(1.7)**	3.8	2.3
	51.5	71.0	123.8

5. Other/exceptional expense/(gain)

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Redundancy charge/(release)	**0.4**	(0.1)	(0.1)
Egypt acquisition cost – royalty	-	-	4.9
Premium – lease transfer	-	-	1.0
	0.4	(0.1)	5.8

6. Finance Costs

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Unwinding of discount on provisions	**0.3**	0.6	0.8
Interest expense payable and similar fees	**1.8**	2.7	4.5
Interest on lease liabilities	-	0.2	0.3
Amortisation of capitalised borrowing costs	**1.0**	(1.0)	(1.5)
Net foreign exchange (gains)/losses	**(0.2)**	0.2	0.1
	2.9	2.7	4.2

As at 30 June 2021, $0.3m relates to the unwinding of discount on the provisions for decommissioning (1H 2020: $0.6m). 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 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 2020 redeterminations and the accelerated repayment of principal in relation to the group's reserve based lending facility, there was a change in estimated future cash flows. As a result, in June 2020 and December 2020, a one off gain of $1.0m and $1.5m, respectively, have been recognised in profit or loss.

7. Tax

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Current tax	**16.0**	12.2	26.7
Deferred tax on operations	**(4.1)**	(10.3)	(15.6)
Deferred tax on impairment reversal/(charge)	**8.4**	(51.5)	(36.7)
Total tax charge/(credit)	**20.3**	(49.6)	(25.6)

The Group's corporation tax is calculated at 50% (1H 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 each period, both current and deferred taxation have arisen in overseas jurisdictions only.

The prevailing tax rate in Vietnam, where the Group produces oil and gas, is 50% (1H 2020: 50%). The tax charge in future periods may also be affected by the factors in the reconciliation above.

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 revenue, 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 period.

For CNV, a pre-tax impairment reversal in the amount of $2.2m has been reflected in the income statement with an associated deferred tax charge of $0.8m (1H 2020: pre-tax impairment charge $15.5m, deferred tax credit of $5.8m). For TGT, a pre-tax impairment reversal in the amount of $21.9m has been reflected in the income statement with an associated deferred tax charge of $7.6m (1H 2020: pre-tax impairment charge $132.0m, deferred tax credit of $45.7m).

8. Earnings/(loss) per share

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

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Profit/(Loss) from continuing and discontinued operations for the purposes of basic profit/(loss) per share	6.4	(268.3)	(215.8)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	(0.3)	-	-
Profit/(Loss) from continuing and discontinued operations for the purposes of diluted profit/(loss) per share	6.1	(268.3)	(215.8)

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Profit/(Loss) from continuing operations for the purposes of basic profit/(loss) per share	6.4	(268.3)	(215.6)
Effect of dilutive potential ordinary shares – Cash settled share awards and options	(0.3)	-	-
Profit/(Loss) from continuing operations for the purpose of diluted profit/(loss) per share	6.1	(268.3)	(215.6)

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Weighted average number of ordinary shares	434.6	378.3	395.1
Effect of dilutive potential ordinary shares – Share awards and options	0.7	-	-
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	435.3	378.3	395.1

In accordance with IAS 33 "Earnings per Share", the effect of antidilutive potential shares have not been included when calculating dilutive earning per share as the Group was loss making. This would have had an impact of $0.3m for the six month period ended 30 June 2020 and $1.3m for the year ended 31 December 2020.

9. Intangible assets

Intangible assets comprise the Group's exploration and evaluation projects which are pending determination.

In June 2021, having reviewed the triggers for impairment, Management are of the view that none of the impairment indicators under IFRS 6 have been triggered and therefore no impairment testing is required for Vietnam, Egypt or Israel (Dec 2020: Vietnam impairment charge $19.0m and Egypt impairment charge $5.3m).

10. Property, plant and equipment

As a result of ongoing oil price volatility and movements in 2P reserves, the Group have tested each of our oil and gas producing properties for impairment. The results of these impairment tests are summarised below. For Vietnam producing properties, the recoverable amount has been determined using the fair value less costs of disposal 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.

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 30 June 2021, the fair value of the assets are estimated based on a post-tax nominal discount rate of 11% (1H 2020: 11%) and a Brent oil price of $64.7/bbl in 2H 2021 up to $65.0/bbl in 2025 plus inflation of 2% thereafter (1H 2020: an oil price of $52.9/bbl in 2H 2021 up to $67.6/bbl in 2025, plus inflation of 2% thereafter).

For CNV, a pre-tax impairment reversal in the amount of $2.2m has been reflected in the income statement with an associated deferred tax charge of $0.8m. As at 30 June 2021, the carrying amount of the CNV oil and gas producing property, after additions ($0.9m decrease in decommissioning asset offset by $0.2m in additions), DD&A ($5.0m) and impairment reversal ($2.2m), is $87.7m.

For TGT, a pre-tax impairment reversal in the amount of $21.9m has been reflected in the income statement with an associated deferred tax charge of $7.6m. As at 30 June 2021, the carrying amount of the TGT oil and gas producing property, after additions ($2.7m decrease in decommissioning asset offset by $0.7m in additions), DD&A ($14.4m) and after impairment reversal ($21.9m), is $244.8m.

Testing of sensitivity cases indicated that a $5/bbl reduction in long-term oil price used when determining the fair value less costs of disposal method would result in post-tax impairments charge (compare to new NBV) of $26.7m on TGT and a $4.9m on CNV. A 1% increase in discount rate would result in post-tax impairments of $4.8m on TGT and $1.5m on CNV. We have also run sensitivities utilising the average of a number of third party forecasts described as being consistent with achieving the 2019 COP 21 Paris agreement goal to limit temperature rises to well below 2 degrees Celsius (the "Paris oil price scenario"). The nominal Brent prices used in this scenario were as follows; 2021: $64.7/bbl, 2022:$64.2/bbl, 2023:$63.6/bbl,2024:$63.7/bbl, 2025:$63.6/bbl, 2026: $64.6/bbl, 2027:$65.6/bbl, 2028:$66.6/bbl, 2029:$67.6/bbl. 2030:$68.6/bbl. Using these prices and an 11% discount rate would result in additional post-tax impairments of $2.3m on TGT and $0.6m on CNV.

Egypt

The key assumptions to which the fair value measurement is most sensitive are oil price, discount rate, capital spend and 2P reserves (2019: oil price, discount rate, capital spend and 2P reserves). As at 30 June 2021, the fair value of the asset is estimated based on a post-tax nominal discount rate of 14% (1H 2020: 13%) and a Brent oil price of $64.7/bbl in 2H 2021 up to $65.0/bbl in 2025 plus inflation of 2% thereafter (1H 2020: an oil price of $52.9/bbl in 2H 2021 up to $67.6/bbl in 2025, plus inflation of 2% thereafter).

For Egypt, an impairment reversal (pre and post tax) in the amount of $3.7m has been reflected in the income statement. As at 30 June 2021, the carrying amount of the Egypt oil and gas producing property, after additions ($3.3m), DD&A ($4.2m) and after the impairment reversal ($3.7m), is $106.9m.

Testing of sensitivity cases indicated that a $5/bbl reduction in long term oil price used would result in an impairment of $42.6m (compare to new NBV). A 1% increase in discount rate would result in an impairment charge of $7.5m. We have also run a sensitivity using a 14% discount rate and the Paris oil price scenario which would result in an additional impairment of $7.8m.

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. Distribution to Shareholders

The Company is focused on preserving balance sheet strength and do not recommend a dividend for 2021 (2020: the dividend was withdrawn), given the continued uncertainty in the macro environment. The decision to re-instate the dividend will be kept under review and the Board will continue to use the well documented capital allocation criteria to assess where and how to spend any free cash flow generated.

12. Reconciliation of operating profit to operating cash flows

	(unaudited) six months ended 30 Jun 2021 $ million	(unaudited) six months ended 30 Jun 2020 $ million	Year ended 31 Dec 2020 $ million
Operating profit/(loss)	**30.0**	(315.4)	(231.3)
Share-based payments	**1.0**	1.5	2.8
Depreciation, depletion and amortisation	**23.9**	39.4	64.5
Impairment (reversal)/charge	**(27.8)**	317.0	234.8
Operating cash flows before movements in working capital	**27.1**	42.5	70.8
Increase in inventories	**(1.5)**	-	(1.5)
(Increase)/Decrease in receivables[1]	**(5.4)**	18.5	19.6
Decrease in payables[1]	**(2.0)**	(5.1)	(3.4)
Cash generated by operations	**18.2**	55.9	85.5
Interest (paid)/received	**(0.1)**	0.1	0.1
Other/exceptional expense outflow	**(0.1)**	-	(2.7)
Income taxes paid	**(17.9)**	(15.0)	(26.5)
Net cash from operating activities	**0.1**	41.0	56.4

[1] During the six months ended 30 June 2021 a total of $2.6m (1H 2020: $7.9m) of trade receivables due from EGPC in Egypt were settled by way of non-cash offset against trade payables.

13. Hedge transactions

During 1H 2021, Pharos entered into different commodity (swap) 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 June 2022 and are settled monthly. The hedging positions in place at the balance sheet date cover 27% of the Group's forecast production until June 2022, securing an average price for this hedged volume of $55.6/bbl (1H 2020: cover was 35% of the Group's forecast production until September 2021, securing an average price for this hedged volume of $44.8/bbl).

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 period ended 30 June 2021 a loss of $13.7m was realised (1H 2020: gain of $21.1m). The outstanding unrealised loss on open position as at 30 June 2021 amounts to $12.4m (1H 2020: gain of $3.0m).

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 "Derivative financial instruments" in the consolidated statement of financial position. The liability position as at June 2021 was $14.9m of which $2.5m has been realised and due for payment early July (1H 2020: asset position $6.7m of which $3.7m was realised).

14. Uncommitted Revolving Credit Facility - Egypt

In April 2021, the Group drew down on a new facility with the National Bank of Egypt. The carrying amount of the trade receivables include 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. 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 continue to recognise the receivables in their entirety in its balance sheet. The amount repayable under the agreement is presented as unsecured borrowing.

The relevant carrying amounts are as follows:

	$ million
Receivables subject to the facility	8.3
Associated secured borrowing	5.0

15. Placing

In January 2021, the Company announced the successful completion of an equity Placing, Subscription and Retail Offering ('Placing') to fund Phase 1B of the waterflood programme in Egypt.

Pursuant to the Placing, which was significantly oversubscribed, a total of 30,733,682 Placing Shares have been placed with new and existing investors at the Placing Price raising gross proceeds of approximately $8.1m (£5.9m). Concurrently with the Placing, certain directors and existing shareholders have entered into subscription agreements with the Company to subscribe for 9,017,886 Subscription Shares at the Placing Price raising gross proceeds of approximately $2.4m (£1.7m). In addition, retail investors have subscribed in the Retail Offer via PrimaryBid for 4,909,922 Retail Shares at the Placing Price raising gross proceeds of approximately $1.3m (£0.9m).

Equity instruments issued by the Company are recorded at the proceeds received $11.7m, net of direct issue costs ($0.8m).

The Placing shares were issued for non-cash consideration by way of a 'cash box' structure involving a newly incorporated Jersey subsidiary of the Company (Pharos Energy (Jersey) Limited - 'JerseyCo').

This structure involved the issue of ordinary and preference shares by JerseyCo to one of the investment banks advising the Company in respect of the Placing. The Company subscribed for 89% of the ordinary shares and the Settlement Bank subscribed for 11% of the ordinary shares in JerseyCo.

These preference and ordinary shares were subsequently acquired by the Company and the preference shares were redeemed by JerseyCo. The acquisition by the Company of the ordinary shares in JerseyCo held by the investment bank resulted in the Company securing over 90% of the equity share capital of JerseyCo. The Company was therefore able to rely on Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. Therefore, no share premium was recorded in relation to the Placing shares. The premium over the nominal value of the Placing shares was credited to a merger reserve ($5.3m).

Pharos Energy (Jersey) Limited was dissolved on 5 February 2021.

16. Subsequent events

RBL

In July 2021, the Group completed the refinancing of its Reserve Based Lending Facility (RBL) secured against the Group's producing assets in Vietnam. The new RBL will provide access to up to a committed US$100m with a further US$50m available on an uncommitted "accordion" basis and has a four-year term that matures in July 2025. This refinancing provided the Group with additional liquidity.

At the time of the refinancing, Société Générale joined the RBL banking group alongside BNP Paribas, Crédit Agricole Corporate and Investment Bank and DBS. Société Générale replaces Standard Chartered Bank in the lender group.
The original RBL was signed in September 2018 and was due to mature in September 2023. The new RBL extends the tenor of the facility by 22 months, allowing for a rephasing of the repayment schedule and the provision of additional funds available for general corporate purposes.

Farm-out

The Group has entered into conditional agreements for the farm-out and sale of a 55% working interest and operatorship in each of the El Fayum and North Beni Suef Concessions to IPR Lake Qarun Petroleum Co., a wholly owned subsidiary of IPR Energy AG. The farm-out is a Class 1 transaction under the Listing Rules and is conditional, amongst other things, on shareholder approval. Pharos will publish a circular to shareholders in due course, setting out further details of the farm-out and convening the general meeting at which shareholder approval will be sought.

125/126 extension

On 8 September 2021, Pharos received approval for a 2-year extension to the terms of Phase 1 of Block 125 & 126 Exploration Period from the Ministry of Industry and Trade, from 9th November 2021 to 8th November 2023.

Glossary

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.

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Cost of sales	**51.5**	71.0	123.8
Less:			
Depreciation, depletion and amortisation	**(23.6)**	(38.7)	(63.3)
Production based taxes	**(4.4)**	(2.4)	(7.0)
Inventories	**1.7**	(3.8)	(2.3)
Other cost of sales	**(0.8)**	(1.6)	(2.9)
Cash operating costs	**24.4**	24.5	48.3
Production (BOEPD)	**9,147**	12,093	11,373
Cash operating cost per BOE ($)	**14.74**	11.13	11.60

Cash operating costs per barrel by segment (1H 2021)

	Vietnam $ million	Egypt $ million	Total $ million
Cost of sales	37.7	13.8	51.5
Less:			
Depreciation, depletion and amortisation	(19.4)	(4.2)	(23.6)
Production based taxes	(4.3)	(0.1)	(4.4)
Inventories	1.7	-	1.7
Other cost of sales	(0.4)	(0.4)	(0.8)
Cash operating cost	15.3	9.1	24.4
Production (BOEPD)	5,429	3,718	9,147
Cash operating cost per BOE ($)	15.57	13.52	14.74

DD&A 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.

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Depreciation, depletion and amortisation	(23.6)	(38.7)	(63.3)
Production (BOEPD)	9,147	12,093	11,373
DD&A per BOE ($)	14.25	17.58	15.21

DD&A per barrel by segment (2021)

	Vietnam $ million	Egypt $ million	Total $ million
Depreciation, depletion and amortisation	(19.4)	(4.2)	(23.6)
Production (BOEPD)	5,429	3,718	9,147
DD&A per BOE ($)	19.74	6.24	14.25

Net Debt

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

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Cash and cash equivalents	28.4	37.8	24.6
Borrowings*	(61.3)	(73.9)	(57.2)
Net Debt	(32.9)	(36.1)	(32.6)

*Exclude unamortised capitalised set up costs

EBITDAX

EBITDAX is earnings from continuing activities before interest, tax, DD&A, impairment (reversal)/charge of PP&E and intangibles and exploration expenditure.

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Operating profit/(loss)	30.0	(315.4)	(231.3)
Depreciation, depletion and amortisation	23.9	39.4	64.5
Impairment (reversal)/charge	(27.8)	317.0	234.8
EBITDAX	26.1	41.0	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.

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Net Debt	(32.9)	(36.1)	(32.6)
EBITDAX	26.1	41.0	68.0
Net Debt/EBITDAX	1.26	0.88	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).

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Total Debt	61.3	73.9	57.2
Total Equity	306.1	249.0	293.7
Debt to Equity	0.20	0.30	0.20

Operating cash per share

Operating cash per share is calculated by dividing net cash from continuing operations by number of shares.

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Net cash from continuing operating activities	0.1	41.0	56.4
Weighted number of shares in the year	436,995,454	378,335,889	397,515,684
Operating cash per share	-	0.11	0.14

Operating profit/(loss) excluding impairment (reversal)/charge

Operating profit/(loss) excluding impairment (reversal)/charge is calculated by adding back the impairment (reversal)/charge to the operating profit/(loss).

	(unaudited) six months ended 30 Jun 21 $ million	(unaudited) six months ended 30 Jun 20 $ million	Year ended 31 Dec 20 $ million
Operating profit/(loss)	30.0	(315.4)	(231.3)
Impairment (reversal)/charge	(27.8)	317.0	234.8
Operating profit excluding impairment (reversal)/charge	2.2	1.6	3.5