PHAROS
ENERGY

26 August 2020
2020 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 2020

Pharos Energy plc, an independent oil and gas exploration and production company focused on sustainable growth and returns to stakeholders, announces its interim results for the six months ended 30 June 2020. An analyst conference call will take place at 0900 BST today.

Ed Story, President and Chief Executive Officer, commented:
"As the world goes through these turbulent times, Pharos has remained focussed on capital discipline and ensuring the financial stability of the Company, something which is in our DNA. The focus on cutting cash costs across the Group has been intense and by taking action to achieve a reduction in forecast expenditure of 25%, we have put ourselves in a position to weather this lower oil price environment. Even during these testing times, Group production remains in line with guidance for 2020 and the period saw real progress for the Group as we were granted an extension to our TGT and CNV licences in Vietnam, which will act as a spur for further activity in the coming years. In Egypt, we are continuing with our workover programme and waterflood implementation as well as appraising future targets for when drilling resumes. I am also pleased to say our focus on ESG has continued through the period with social programmes in both Egypt and Vietnam as well as positive progress in our preparation to report in line with the TCFD recommendations. I would like to thank all our shareholders for their support during these difficult times and assure them that our focus on capital discipline puts the Company in the best position for its future growth."

1H 2020 Financial summary

- Group revenue for 1H 2020 was $80.1m[2,*] (1H 2019: $91.8m)[1,2,*]
  - Hedging positions have provided solid protection in the period with a gain of $21.1m (1H 2019: loss of $0.9m)
  - Approximately 35% of the Group's forecast production until September 2021, is hedged at an average price of $44.8/bbl
- Cash operating costs $11.13/bbl[3] (1H 2019: $9.41/bbl)[1,3]
- Cash generated from operations $55.9m (1H 2019: $55.2m)[1]
- Cash balances as at 30 June 2020 of $37.8m (1H 2019: $66.3m), Net debt at 30 June 2020 of $36.1m[3] (1H 2019: $33.7m)[3]
- Net loss of $268.3m (1H 2019: $19.0m loss), including non-cash impairment of $265.5m (after tax), primarily oil price related
- Scheduled half-yearly redetermination of the RBL facility now completed
  - amortisation payment of $22.3m made on 30 June 2020
  - a further amortisation payment of $9.4m made on 13 July 2020 and;
  - a voluntary payment made of $7.3m on 30 July 2020;
- Borrowing Base Amount currently stands at $64.5m
- Forecast cash capex for the full year c.$37m of which $31.9m had been incurred by 30 June 2020
- Cash cost savings on total group forecast expenditure for the year of 25%
  - Administrative expenses of $7.5m (1H 2019: $11.7m) are lower due to continuous efforts; Group reduction of G&A costs 35%
- Net debt to EBITDAX of 0.90x (1H 2019: 0.59x)

[*] Egyptian revenues are given post government take including corporate taxes.
[1] Comparative figures show Vietnam – for the full period | Egypt – from 02/04/2019
[2] Stated after realised hedging gain of $21.1m (1H 2019: loss of $0.9m)
[3] See Non-IFRS measures at page 25

1H 2020 Operational summary

- Despite the global COVID-19 pandemic, Pharos continues to manage its operations carefully with the Group adhering to the procedures and restrictions put in place by its host countries, with negligible disruption to business in the period
- Group working interest 1H 2020 production 12,093 boepd net (1H 2019: 12,541)[1], in line with production guidance
- Vietnam
  - Vietnam 1H 2020 production 6,114 boepd net (1H 2019: 7,279 boepd net)
  - The TGT field licence extension for two years has been formally granted by the Ministry of Industry and Trade in Vietnam

- The CNV field licence extension for two years has also been formally granted by the Ministry of Industry and Trade in Vietnam
- The 2019 two-well TGT drilling campaign completed in 1H 2020 on time and under budget
- Upgrade to Gas Turbine compressors completed ahead of schedule in Q1 2020

- Egypt
  - Egypt 1H 2020 production 5,979 bopd (2 April - 30 June 2019: 5,262 bopd)
  - The three drilling-rig programme in Q1 2020 increased production in April, production averaged 6,396 bopd and production peaked at 7,009 bopd on the 23 April 2020
  - Production operations in Egypt have continued, focusing on well intervention and water-flood enhancement following scaling back of drilling activity
  - Reductions agreed on both El Fayum oil price discount ($1/bbl reduction) and refinery handling charge ($0.80/bbl reduction), initially for six months while technical review continues

Outlook

- Vietnam
  - 2020 production guidance 5,500 - 6,500 boepd net remains unchanged
  - Operations are focussed on optimising production from the existing wells, principally through gas lift optimisation
  - Proactively manage the existing producing reservoirs
  - Approval of the TGT FFDP by the Ministry of Industry and Trade expected in Q4 2020

- Egypt
  - 2020 Production guidance of 5,000-6,000 bopd unchanged
  - Continue with workover programme and waterflood deployment
  - Assess the results of recent waterflood pilot projects in Greater Silah area
  - Continuation of work on the subsurface dynamic and static models to improve future well drilling campaigns and future waterflood implementation
  - Continued assessment of Egypt drilling programme in relation to oil price environment

- Israel low-cost activities during the initial phase of the licences comprise reprocessing of existing 3D seismic data and evaluation of the acreage's potential. The operator has started preparation for this work.

Corporate

Board changes

In January 2020, Pharos announced that Ettore Contini, Non-Executive Director, would not stand for re-election to the Board of Pharos at the Company's AGM on 20 May 2020, following 18 years of service. John Martin became Chair of the Board of Directors with effect from 13 March 2020. Lisa Mitchell and Geoffrey Green were appointed as Independent Non-Executive Directors with effect from 1 April 2020 and 20 May 2020 respectively.

Remuneration

Upon his appointment on 13 March 2020, the incoming Chair, John Martin, volunteered to reduce the Chair fee by 25%. Subsequently and in addition, the Chair and the Independent Non-Executive Directors voluntarily agreed a further 25% reduction in their 2020 fees. The Executive Directors have voluntarily agreed a reduction in base salary of 25% for 2020 effective 1 May 2020. The Board has also agreed that no bonuses will be paid in 2020.

Dividend

As announced in May, the Board believed it was appropriate to withdraw dividend payments during 2020, 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. The key goals are to balance the preservation of balance sheet strength with investing in growth opportunities where returns exceed the risked cost of capital, in order to generate sustainable returns for shareholders.

Joint Broker Appointment

We are pleased to announce the appointment of Peel Hunt LLP to act as the Company's Joint Broker with immediate effect.

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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, headquartered in London and listed on the London Stock Exchange. Pharos has production, development and exploration interests in Egypt, Israel and Vietnam.

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 south west 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 Israel, Pharos together with Cairn Energy plc and Israel's Ratio Oil Exploration, were successful in their bid for eight licences in the second offshore bid round in Israel. Each party has an equal working interest and Cairn is the operator.

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, northeast of the Cuu Long Basin, offshore central Vietnam.

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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.

The finance strategy is founded on three core areas - capital discipline, capital allocation and capital return.

In this current period of turmoil, with oil prices at a multi-year low, these three core areas come into sharp focus and are being used to guide the business to preserve liquidity and balance sheet strength at this time.

Highlights

	1H 2020	1H 2019
Production Volumes (boepd)	12,093	12,541
Oil Price Realised ($/bbl)	40.47	69.04
Oil & Gas Price Realised ($/boe)	37.06	61.96
Revenue ($m)[1]	80.1	91.8
Gross Profit ($m)	9.1	32.4
Operating (loss)/profit ($m)	(315.4)	20.7
Operating profit/excluding impairment ($m)[2]	1.6	20.7
Cash Operating Cost per ($/boe)[2]	11.13	9.41
Net debt ($/m)[2]	(36.1)	(33.7)
EBITDAX ($/m)[2]	40.3	56.8
Gearing[2]	0.30	0.19

[1] Stated after realised hedging gain of $21.1m (1H 2019: loss of $0.9m)
[2] See Non-IFRS measures at page 25

Operating Performance

Group Production and Commodity Prices

Total group working interest production was 12,093 boepd (1H 2019: 12,541 boepd). The average realised oil price was $40.47/bbl (1H 2019: $69.04/bbl) and total revenues before hedging results were $59.0m (1H 2019: $92.7m). Market oil prices led to a gain of $21.1m (1H 2019: loss of $0.9m) on the realisation of hedges entered into by the group, increasing total revenue to $80.1m (1H 2019: $91.8m). Hedges remain an important part of our overall risk management strategy at this stage and further details are provided in the section below headed 'Hedging and revenues'

The Vietnam crude continues to command a significant premium to Brent, averaging $5/bbl in the period. In Egypt, the average discount to Brent for the period was $5/bbl, made up of two elements – the Western Desert discount and the El Fayum discount.

Since April 2020, the Western Desert discount has reduced, from a high of $2.90 in April to $0.80 from June onwards. EGPC publishes the discounts for each month in arrears. In addition, we have agreed reductions with EGPC, effective 1 August 2020, on both the price discount applied specifically to the El Fayum crude ($1/bbl reduction) and on the handling fees paid at the refinery ($0.80/bbl reduction). Both of these reductions are in place for an initial period of six months whilst we continue our joint review with EGPC on the specification of the crude oil, on which the discount and fees are applied.

Group Operating costs, DD&A and expenses

Cash operating costs at group level, defined in the Non-IFRS measures section, amounted to $24.5m (1H 2019: $16.9m); $11.13/boe (1H 2019: $9.41/boe). Ongoing cost reduction programmes in Vietnam brought the total operating cost down for the region to $12.5m (1H 2019: $12.9m) in the period which equate to $11.23/bbl. (1H 2019: $9.79/bbl). The higher per bbl cost is due to the fixed cost of the FPSO and other facilities being spread over fewer produced barrels. Cash operating costs in Egypt were $12.0m (1H 2019: $4.0m for the three months post acquisition) in the period, which equate to $11.03/bbl (1H 2019: $8.35/bbl). The increase relates in large part to the change of the delivery point in July 2019, which has added to transportation costs, plus a higher number of workovers and the introduction of more stringent HSSE measures. The delivery point of El Fayum crude, prompted by the upgrade of the Mostorod refinery, is now made directly to the Suez Oil Processing Company (SOPC) refinery, which provides a higher crude oil handling capacity and circumvents the need for pipeline evacuation. In addition, although a longer distance, the new trucking transport route avoids built-up and residential areas and offers safer driving conditions due to fully tarmacked roads leading directly to the refinery.

DD&A charges on production and development assets amounted to $38.7m (1H 2019: $35.5m); $17.58/boe (1H 2019: $19.76/boe).

Administrative expenses of $7.5m (1H 2019: $11.7m) are lower than the previous year due to continuous efforts to reduce the head office costs. The non-cash elements included in administration costs (share based payments and depreciation) totalled $1.4m (1H 2019: $2.2m), resulting in a 36% reduction in cash administration costs over the comparative period.

Cost savings
Cash cost savings on total group forecast expenditure for the year of 25% will be achieved. G&A costs for 2020 have reduced by 35% compared to prior period, including a 25% reduction on board fees for all NEDS for 2020 and on all remuneration for executive directors effective 1 May. The Board has also agreed that no bonuses will be paid in 2020.

Impairment
As a result of the reduction in the oil price since the year-end we have tested each of our oil and gas producing properties for impairment. In Vietnam, the result to date of the TGT-15X well in the shallow section in one fault block and the later starting date for the 2021 drilling programme has impacted reserves, which also acts as an impairment trigger. In Egypt, the impairment charge of $146.6m arises from the downward revision to our future oil price assumptions, the related impact on near term activity and the change in discount rate.

For CNV, a pre-tax impairment charge of $15.5m has been reflected in the income statement with an associated deferred tax credit of $5.8m. As at 30 June 2020, the carrying amount of the CNV oil and gas producing property, after additions ($2.2m), DD&A ($6.4m) and the impairment charge, is $104.4m.

For TGT, a pre-tax impairment charge of $132.0m has been reflected in the income statement with an associated deferred tax credit of $45.7m. As at 30 June 2020, the carrying amount of the TGT oil and gas producing property, after additions ($15.0m), DD&A ($20.1m) and the impairment charge, is $205.5m.
For Egypt, an impairment charge (pre and post-tax) in the amount of $146.6m has been reflected in the income statement. As at 30 June 2020, the carrying amount of the Egypt oil and gas producing property, after additions ($17.7m), DD&A ($12.0m) and after the impairment charge, is $60.5m.

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 stands at $370.4m. Further details of these impairment charges, including key assumptions in relation to oil price, discount rate and the availability of future funding for Egypt are provided in Note 10 of the interim financial statements.

Exploration costs written off
In June 2020, an impairment indicator of IFRS 6 was triggered following the Group's decision to defer all non-essential investment at this point. No substantive expenditure for its explorations areas in Vietnam and Egypt is either budgeted or planned in the near future.

Exploration costs including costs associated with Blocks 125 & 126 in Vietnam of $18.1m and costs associated with Egypt projects in the amount of $4.8m were written off in the income statement in accordance with the Group's accounting policy on oil and gas exploration and evaluation expenditure.

Hedging and revenues
Our hedging positions have provided solid protection in the period with a realised gain of $21.1m (1H 2019: loss of $0.9m) plus a fair value as at 30 June of $3.0m for the remaining hedges in place. Approximately 35% of the Group's forecast production until September 2021, is hedged at an average price of $44.80/bbl (1H 2019: cover was 31% of the Group's forecast production from July 2019 to February 2020 entitlement volumes securing a minimum price for this hedged volume of $64.80 per barrel).

Group revenues for the six months to 30 June were $59.0m plus $21.1m from hedging. The average realised oil price per barrel achieved for the same period from Vietnam was $43/bbl representing a premium of nearly $5/bbl to Brent and for Egypt approx. $34/bbl, representing a discount of approx. $5/bbl to Brent.

Financing costs
Finance costs for the period were $2.7m (1H 2019: $5.5m). The decrease follows the June 2020 redetermination and due to the accelerated repayment of principal there was a change in estimated future cash flows, as a result a one off gain of ($1.0m) has been recognised (1H 2019: $1.2m charge).

Taxation
The overall net tax credit of $49.6m (1H 2019: $19.1m charge) relates to the deferred tax on impairment of $51.5m and the remaining $1.9m is the tax charges in Vietnam.

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.

Work on bringing non-UK companies onshore is progressing.

Net loss
A net loss was recorded for the period from continuing operations of $268.3m (1H 2019: loss $19.0m), primarily driven by the post-tax impairment charge of $265.5m relating to both PPE and intangibles.

Balance Sheet

Net cash/debt
As at the balance sheet date, $73.9m was drawn under the group's borrowing facilities and there was cash of $37.8m, giving a net debt figure of $36.1m (1H 2019: cash $66.3m and net debt of $33.7m). Gearing has been calculated as total debt to equity of 0.30x (1H 2019: 0.19x).

As at 24 August 2020, the cash balance stood at c.$24m with net debt of c.$33m, following RBL payments as mentioned in the 'RBL section below'.

RBL
The RBL is over the Vietnam assets only, has a five-year term and currently matures in September 2023. A payment of $3.8m was made in January 2020. Following the scheduled half-yearly redetermination of the RBL a repayment of $22.3m was made on 30 June 2020, with a further payment of $9.4m made on 13 July 2020. The Company made a further voluntary prepayment of $7.3m on 30 July 2020. The extension of the TGT licence term has opened up the possibility of extending the tenor on the RBL and potentially increasing the borrowing base to include the assets in Egypt.

See Non-IFRS measures at page 25

Cash flow

Cash generated from operations (after cash administrative expenses) was $55.9m (1H 2019: $55.2m). Adjusting for these administrative costs gives a total of $62.0m (1H 2019: $64.7m) of net cash generated through our production.

Capital allocation
In May, we announced that no dividend payments would be made during 2020, given the continued uncertainty in the macro environment.

The cash investment in the assets in the period was $30.6m (1H 2019: $21.5m), being $1.4m on Blocks 125 & 126, $8.8m on completion of the TGT-H1-15X well earlier in the year and $20.4m on the drilling campaign in Egypt. All costs were committed before the oil price crash in early March.

Forecast group cash capital expenditure for the year has come down from $55m to $37m. The only expenditure expected to be incurred in Vietnam in H2 2020 was the purchase of long lead items for the FFDP drilling programme scheduled for 2021. This has come down from $21m to $14m as a result of coming under budget on the 15X well and the deferral of the drilling programme until Q4 2021. Capital expenditure in Egypt has reduced from $32m to approximately $21m following the decision taken in March to serve notice on all rig contracts and stop further drilling from July onwards. The remaining $2m relates to the processing and interpretation of seismic data on Blocks 125 & 126.

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 low and volatile oil prices and economic uncertainties created by the COVID-19 pandemic, scenario planning has been even more extensive than

is usual. Accordingly, stress tests have been run for oil prices down to $30/bbl in Q4 2020, rising by $5/bbl in each quarter of 2021, and for production levels concurrently reduced by 10% have been run. As at 30 June 2020, the Group had $37.8m of free cash 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

There have been no events since 30 June 2020 that have resulted in a material impact on the half-year results.

Following the scheduled half-yearly redetermination of our RBL an amortisation payment of $22.3m was paid on 30 June 2020, with a further amortisation payment of $9.4m made on 13 July 2020. We made a further voluntary payment of $7.3m on 30 July 2020.

Jann Brown

Managing Director and Chief Financial Officer

Review of Operations

Egypt

El Fayum Production

Production for the first half of 2020 from the El Fayum Concession averaged 5,979 bopd. This is in line with the Egypt 2020 production guidance given on 12 May, which remains unchanged at 5,000-6,000 bopd.

El Fayum Development and Operations

At the beginning of 2020, pre COVID-19 and the oil price shock, three drilling rigs and three workover rigs were operating through Q1 2020. Seven wells (five producers and two injectors) were drilled in 2020 through to April in the Greater Silah fields and the N.E Tersa satellite field. The combination of production and injection wells allowed the water flood programme, which is the critical element for secondary recovery within the overall field development, to be gradually extended across the fields. The increased field activities resulted in an increased level of production, peaking at 7,009 bopd on 23 April 2020.
The 30-60 day notice period of rig contracts has provided flexibility and allowed the company to react to the drop in oil price and the effect of COVID-19. As announced in our full year results the discretionary drilling programme in Egypt was scaled back to preserve capital under the uncertain macro-economic environment. Notice was given to terminate the three drilling rigs and one of the workover rigs. The contract of a second workover rig expired at the end of March. Production operations in the field have been centred on well intervention and water-flood enhancement, utilising the remaining active workover rig. The field requires drilling activity to maintain the production levels achieved in H1 and has been in natural decline pending reactivation of the drilling programme. The timing of this programme depends on access to the capital required.

Work to update the subsurface static and dynamic models to incorporate the results of the 2019 and 2020 drilling campaigns continues. This work will allow further optimisation of the water-flood pattern and facilitate optimised reservoir management through better well spacing when drilling recommences, which will further improve sweep efficiency and well deliverability and lead to an increased recovery.

Reprocessing of the 3D seismic data across El Fayum started in August, to improve resolution for future in-fill wells, and to optimise the location of new wells in the waterflood areas.

EGPC has granted a six month extension of an exploration commitment well on the Tersa Development lease which now must be drilled before May 2021.

El Fayum Exploration

The proposed new 3D seismic acquisition in the northern area under-explored parts of El Fayum has been given a force majeure status until military approval and clearance of unexploded ordinance is granted.

Operational focus is exclusively on developing the discovered resources in the producing fields, meaning that all exploration activity has been deferred and delayed. The current Exploration Period in the El Fayum Concession Agreement however expires 15 November 2020. The Company retains the option to apply for a contractual extension of the exploration acreage (out with the northern area held under force majeure) to enable it to be held for a further three year period.

North Beni Suef (NBS)

Interpretation of the large pre-existing 3D seismic survey on the NBS concession is currently in progress. Continuing work during 2020 will focus on technical and investigative work on wells previously drilled on the concession.

Exploration drilling activity is currently on hold while we focus on development, production and cash flow.

Egypt operational focus for remainder of 2020

- 2020 Production guidance of 5,000-6,000 bopd unchanged
- Continue with workover programme and waterflood deployment
- Assess the results of recent waterflood pilot projects in Greater Silah area
- Continuation of work on the subsurface dynamic and static models to improve future well drilling campaigns and future waterflood implementation
- Existing 3D seismic on the El Fayum concession is being re-processed
- 3D seismic on the North Beni Suef Concession is being interpreted

Vietnam

Vietnam Production

Production for the first half of 2020 from the TGT and CNV Fields net to the Group's working interest averaged 6,114 boepd (1H 2019: 7,279 boepd). This is in line with the Vietnam 2020 production guidance given on 12 May 2020, which remains unchanged at 5,500-6,500 boepd.

TGT 1H 2020 production averaged 14,878 boepd gross and 4,431 boepd net to Pharos (1H 2019: 17,847 boepd gross and 5,382 boepd net) CNV 1H 2020 production averaged 6,731 boepd gross and 1,683 boepd net to Pharos (1H 2019: 6,793 boepd gross and 1,699 boepd net).

Vietnam Development and Operations.

Block 9-2 – CNV Field

No drilling activities are planned on CNV for 2020. Operations on CNV will involve routine well maintenance to two CNV wells in Q4 2020.

Block 16-1 – TGT Field

Operations on TGT have been focussed on a well intervention programme to manage production improvements proactively. We have seen some incremental production improvement from TGT wells in Q3 from well intervention work consisting of deepening gas lift valves, additional perforations and high water cut zone shut offs.

The TGT-15X well is producing from the both the upper and deep section at low rates, the well has stabilised. No further drilling activity is planned on TGT for the remainder of 2020 and the drilling programme for 2021 is delayed to start in Q4 2021. As announced in our Trading and Operations update on 9 July 2020 there was a 7% technical reserves downward adjustment in addition to the impact of the oil price forecast decrease.

TGT FPSO Compressors and Tie-In Agreement (TIA)

The upgrade work to the Gas Turbine compressors for the Leased FPSO was completed in April 2020 ahead of schedule and within budget. The upgraded compressors are operating at a higher discharge pressure and there is production improvement from being able to inject gas deeper into the wells.

Negotiations on the TIA between the HLJOC and the current counterparty, Thang Long Joint Operating Company (TLJOC) continue.

Vietnam License extensions

As previously announced on 4 August 2020 the TGT field licence extension for two years, was formally granted by the Ministry of Industry and Trade in Vietnam. The licence now runs to 7 December 2026, as the first stage of the full five-year licence extension, and the Company remains confident in securing a licence extension of a further three years to December 2029, which will be pursued in due course in accordance with the licence terms.

This accelerated two-year extension enables the JOC to make investments under the proposed TGT Full Field Development Plan (FFDP), with drilling due to commence in Q4 2021. The FFDP which includes drilling six new producer wells, has been approved by all Partners and is awaiting final approval from the Ministry of Industry and Trade. The extension has no impact on the TGT reserves, as these continue to be reported in accordance with the full term of the licence including the full five-year extension to December 2029.

In addition, the JOCs request for an extension for the CNV field licence of two years, has also been formally granted by the Ministry of Industry and Trade in Vietnam. The licence now runs to 15 December 2027.

Blocks 125 & 126

On Blocks 125 & 126, technical work continues on the acquired 2D seismic, gravity and magnetic data to high-grade prospective areas on which to target future 3D seismic survey(s), when capital is available to allocate.

Vietnam operational focus for remainder of 2020

- 2020 production guidance 5,500 - 6,500 boepd net remains unchanged
- Operations are focussed on optimising production from the existing wells, principally through gas lift optimisation
- Proactively manage the existing producing reservoirs
- Approval of the TGT FFDP by the Ministry of Industry and Trade expected in Q4 2020

Israel

The commitment work programme is to reprocess all of the existing 3D seismic vintages previously acquired across the eight licences by various contractors, in order to provide a uniform data set. The operator has started preparation for this work.

HSES

Health and Safety

Safety is the highest priority in 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 2020.

Pharos continues to manage its operations carefully and the Group is adhering to the procedures and restrictions put in place by its host countries as a result of the global COVID-19 pandemic. As the pandemic took hold, 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 disrupted by COVID-19 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 the event that a case of COVID-19 is identified offshore, personnel evacuation plans, and other mitigation measures are in place to ensure that the impact of any outbreak is quickly contained, and operations are maintained. In Vietnam, office staff have returned to work in the office following government guidelines and easing of lockdown restrictions.

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 Cairo office, in line with Egyptian government guidelines, social distancing measures are in place; half the staff work from home and half in the office on a two-week rotation with negligible disruption to the business.

In the UK office, staff have been working from home since March in line with UK governmental guidelines with negligible disruption to the business.

Social Engagement

Petrosilah has been engaging with the local communities during the pandemic to offer support. Field staff continue dialogue and social engagement with the villages adjacent to the El Fayum fields through the continued sterilisation of community areas. In addition, Petrosilah has donated face masks, face shields, and protection suits to the El Fayum General Hospital. Our social investment in Vietnam through the HLHVJOC Charitable Donation programme continues. In the first half of 2020 six projects have been approved and include supporting local communities, and financial support to renovate four buildings built before the year 2000, with 10 classrooms that had serious degradation, and for the construction of new secondary school classrooms to Tho Hai Commune's People Committee, Thanh Hoa Province. The Group continues to provide annual support to Ha Noi Private School for the Hearing Impaired. Currently, the school is offering education to 100 students of autism and the hearing-impaired. The most recent assistance provided by the Group was financial support, to buy medical equipment required at Tran Hung Dao Commune's Medical Clinic, Ly Nhan District, Ha Nam Province.

GHG emissions
Further reductions in GHG emissions are anticipated through the implementation of a second phase of associated gas generators, in Egypt, at the appropriate time. We have also set up an additional internal initiative with senior management and asset managers to identify key areas for potential GHG reductions. Work to ensure we are prepared to report in line with the TCFD recommendations is progressing well.

Principal risks and uncertainties for the second half of 2020

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The principal risks and uncertainties facing Pharos and the Group for the remaining six months of the financial year include those identified in the 2019 Annual Report, at pages 49 to 53.

The current low oil price environment has increased the uncertainty and made the risk landscape more volatile and unpredictable. In addition, the COVID-19 global pandemic has created a very fragile world economy with massive negative impacts throughout the supply chains of many sectors, including oil & gas.

Pharos continues to focus on two challenges:

- ensuring its workforce can work safely either remotely or on sites (both onshore and offshore) to keep operations running, and minimise disruptions
- ensuring the Group has the financial resilience to survive

The spread of the COVID-19 virus is a risk impacting on energy demand and hence oil prices, and is specifically reflected in the principal risks; Health, Safety, Environmental and Social risk and Commodity Price risk.

Strategic:

- Lack of growth due to insufficient fund to meet work programmes
- Volatility in production levels
- Health, Safety, Environmental and Social risk
- Climate change risk

Financial:

- Commodity price risk
- Financial discipline and governance risk

Operational:

- Reserves risk
- Partner alignment risk
- Cyber risk
- Human resources risk

Reputational:

- The sub-optimal capital allocation
- Political and regional risk
- Business conduct and bribery

The risk mitigation activities identified for each of those risks in the 2019 Annual Report remain valid and in place.

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 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 14. 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 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 are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard

34 as adopted by the European Union 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

25 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(unaudited) Six months ended 30 Jun 2020 $ million	(unaudited) Six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Continuing operations				
Revenue	3, 13	80.1	91.8	189.7
Cost of sales	4	(71.0)	(59.4)	(128.6)
Gross profit		9.1	32.4	61.1
Administrative expenses		(7.5)	(11.7)	(23.1)
Impairment charge – Intangibles	3, 9	(22.9)	-	-
Impairment charge – PP&E	3, 10	(294.1)	-	-
Operating (loss)/profit		(315.4)	20.7	38.0
Other/exceptional gain/(expense)	5	0.1	(16.6)	(16.7)
Investment revenue		0.1	1.5	1.9
Finance costs	6	(2.7)	(5.5)	(11.5)
(Loss)/Profit for the period before tax	3	(317.9)	0.1	11.7
Tax	7	49.6	(19.1)	(38.2)
Loss for the period from continuing operations		(268.3)	(19.0)	(26.5)
Discontinued operations				
Operating profit from discontinued operations		-	-	2.0
Gain on disposal from discontinued operations		-	0.3	-
Profit post-tax for the period from discontinued operations		-	0.3	2.0
Loss for the period		(268.3)	(18.7)	(24.5)
(Loss)/earnings per share from continuing operations (cents)	8			
Basic		(70.9)	(5.3)	(7.0)
Diluted		(70.9)	(5.3)	(7.0)
(Loss)/earnings per share from continuing and discontinued operations (cents)				
Basic		(70.9)	(5.2)	(6.5)
Diluted		(70.9)	(5.2)	(6.5)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	(unaudited) Six months ended 30 Jun 2020 $ million	(unaudited) Six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Loss for the period		(268.3)	(18.7)	(24.5)
Items that may be subsequently reclassified to profit or loss:				
Fair value gain/(loss) arising on hedging instruments during the period		26.7	(0.3)	(2.8)
Less: Cumulative (gain)/loss arising on hedging instruments reclassified to profit or loss	13	(21.1)	0.9	0.2
Unrealised currency translation differences		0.3	(0.2)	-
Total comprehensive loss for the period		(262.4)	(18.3)	(27.1)

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 20 $ million	(unaudited) 30 Jun 19 $ million	31 Dec 19 $ million
Non-current assets				
Intangible assets	9	0.3	14.9	20.4
Property, plant and equipment	10	372.3	669.8	669.6
Right-of-use assets		6.7	8.2	7.3
Other assets		44.9	42.1	43.6
		424.2	735.0	740.9
Current assets				
Inventories		16.2	16.6	16.2
Trade and other receivables		20.0	39.5	41.2
Derivative financial instruments	13	6.7	0.8	-
Tax receivables		0.5	0.7	1.2
Cash and cash equivalents		37.8	66.3	58.5
		81.2	123.9	117.1
Total assets		505.4	858.9	858.0
Current liabilities				
Trade and other payables		(29.7)	(39.2)	(32.5)
Derivative financial instruments	13	-	-	(3.0)
Borrowings		(15.0)	(13.1)	(26.4)
Lease liabilities		(1.0)	(1.0)	(0.8)
Tax payable		(3.0)	(6.5)	(8.8)
		(48.7)	(59.8)	(71.5)
Net current assets		32.5	64.1	45.6
Non-current liabilities				
Deferred tax liabilities		(76.1)	(139.1)	(137.8)
Borrowings		(56.0)	(83.5)	(71.7)
Lease liabilities		(5.9)	(7.2)	(6.4)
Long term provisions		(69.7)	(52.5)	(60.5)
		(207.7)	(282.3)	(276.4)
Total liabilities		(256.4)	(342.1)	(347.9)
Net assets		249.0	516.8	510.1
Equity				
Share capital		31.9	31.9	31.9
Share premium		55.4	55.4	55.4
Other reserves		251.5	249.2	246.6
Retained (deficit)/earnings		(89.8)	180.3	176.2
Total equity		249.0	516.8	510.1

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

						Group
		Called up share capital	Share Premium	Other reserves	Retained (deficit)/ earnings	Total
		$ million	$ million	$ million	$ million	$ million
As at 1 January 2019		27.6	-	246.6	226.6	500.8
Loss for the period		-	-	-	(18.7)	(18.7)
Other comprehensive income		-	-	0.8	-	0.8
Unrealised currency translation differences		-	-	-	(0.2)	(0.2)
Shares issued		4.3	55.4	-	-	59.7
Distributions		-	-	-	(27.4)	(27.4)
Share-based payments		-	-	1.8	-	1.8
As at 30 June 2019 (unaudited)		31.9	55.4	249.2	180.3	516.8
Loss for the period		-	-	-	(5.8)	(5.8)
Other comprehensive (loss)/income		-	-	(3.0)	-	(3.0)
Unrealised currency translation differences		-	-	-	0.2	0.2
Share-based payments		-	-	1.9	-	1.9
Transfer relating to share-based payments		-	-	(1.5)	1.5	-
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	13	-	-	5.9	-	5.9
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

The above 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 2020 $ million	(unaudited) Six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Net cash from operating activities	12	41.0	34.4	72.3
Investing activities				
Purchase of intangible assets		(1.4)	(4.5)	(9.9)
Purchase of property, plant and equipment		(29.2)	(17.0)	(50.2)
Payment for acquisition of subsidiary, net of cash acquired		-	(153.1)	(153.1)
Payment to abandonment fund		(1.3)	(1.7)	(3.3)
Net cash used in continuing investing activities		(31.9)	(176.3)	(216.5)
Net cash used in discontinuing investing activities		-	-	(0.7)
Net cash used in investing activities		(31.9)	(176.3)	(217.2)
Financing activities				
Interest paid on borrowings		(2.9)	(4.2)	(7.7)
Repayment of borrowings		(26.1)	-	-
Lease payments		(0.4)	(0.6)	(1.2)
Share-based payments		-	-	0.1
Dividends paid to Company shareholders		-	(27.4)	(27.4)
Net cash used in continuing financing activities		(29.4)	(32.2)	(36.2)
Net cash used in financing activities		(29.4)	(32.2)	(36.2)
Net decrease in cash and cash equivalents		(20.3)	(174.1)	(181.1)
Cash and cash equivalents at beginning of period		58.5	240.1	240.1
Effect of foreign exchange rate changes		(0.4)	0.3	(0.5)
Cash and cash equivalents at end of period		37.8	66.3	58.5

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 information for the year ended 31 December 2019 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 2020 was approved by the Directors on 25 August 2020.

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') as adopted by the European Union 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 2019 Annual Report and Accounts for the year ended 31 December 2019.

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', as adopted by the European Union, 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.

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 2019 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.

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 2019. 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; and (b) impairment of producing oil & gas assets. During the period ended 30 June 2020, the significant fall in oil prices arising as a result of the impact of the Covid-19 pandemic on crude oil demand has resulted in material impairment charges in relation to both the group's intangible exploration and evaluation assets and its producing oil & gas assets, with additional details provided in Notes 9 and 10 respectively.

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. 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 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	-	-	-	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 (see Note 7)	51.5	-	-	-	51.5
Non-current assets[3]	309.9	62.4	-	7.0	379.3

Six months ended 30 June 2019	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas revenue	80.2	12.5	-	-	92.7
Commodity Hedge	-	-	-	(0.9)	(0.9)
Total Revenue	80.2	12.5	-	(0.9)	91.8
Depreciation, depletion and amortisation – oil and gas	(30.7)	(4.8)		-	(35.5)
Depreciation, depletion and amortisation – other	-	(0.1)	-	(0.5)	(0.6)
Profit (loss) before tax from continuing operations[1]	29.6	(11.3)	-	(18.2)	0.1
Tax charge (see Note 7)	(19.1)	-	-	-	(19.1)
Non-current assets[3]	496.3	189.1	-	7.5	692.9

Year end 31 December 2019	SE Asia $ million	Egypt $ million	Africa[2] $ million	Unallocated $ million	Group $ million
Oil and gas revenue	155.5	34.4	-	-	189.9
Commodity Hedge	-	-	-	(0.2)	(0.2)
Total Revenue	155.5	34.4	-	(0.2)	189.7
Depreciation, depletion and amortisation – oil and gas	(60.3)	(14.1)	-	-	(74.4)
Depreciation, depletion and amortisation – other	-	(0.2)	-	(0.9)	(1.1)
Profit (loss) before tax from continuing operations[1]	55.2	(10.1)	-	(33.4)	11.7
Profit post-tax from discontinued operations	-	-	2.0	-	2.0
Tax charge (see Note 7)	(38.2)	-	-	-	(38.2)
Non-current assets[3]	482.7	207.4	-	7.2	697.3

[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 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Depreciation, depletion and amortisation	**38.7**	35.5	74.4
Production based taxes	**2.4**	6.5	12.3
Production operating costs	**26.1**	19.0	45.4
Inventories	**3.8**	(1.6)	(3.5)
	71.0	59.4	128.6

5. Other/exceptional (gain)/expense

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Assignment fee – Egypt acquisition cost	-	13.6	13.6
Redundancy (gain)/cost	**(0.1)**	3.0	3.1
	(0.1)	16.6	16.7

6. Finance Cost

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Unwinding of discount on provisions	**0.6**	0.8	1.6
Interest expense payable and similar fees	**2.7**	3.5	7.0
Interest on lease liabilities	**0.2**	0.2	0.3
Amortisation of capitalised borrowing costs	**(1.0)**	1.2	2.7
Net foreign exchange (gains)/losses	**0.2**	(0.2)	(0.1)
	2.7	5.5	11.5

As at 30 June 2020, $0.6m relates to the unwinding of discount on the provisions for decommissioning (1H 2019: $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 life of TGT and CNV (currently estimated to be 10-11 years) in the removal and decommissioning of the facilities currently in place.
Following the June 2020 redetermination 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 a one off gain of ($1.0m) has been recognised in profit or loss.

7. Tax

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Current tax	12.2	21.8	42.2
Deferred tax on operations	(10.3)	(2.7)	(4.0)
Deferred tax on impairment	(51.5)	-	-
Total tax (credit)/ charge	(49.6)	19.1	38.2

The Group's corporation tax is calculated at 50% (1H 2019: 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%. 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 charge in the amount of $15.5m has been reflected in the income statement with an associated deferred tax credit of $5.8m. For TGT, a pre-tax impairment charge in the amount of $132.0m has been reflected in the income statement with an associated deferred tax credit of $45.7 million.

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 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Loss from continuing and discontinued operations for the purposes of basic (loss)/ profit per share	(268.3)	(18.7)	(24.5)
Effect of dilutive potential ordinary shares – Cash settled awards and options	-	(0.3)	-
Loss from continuing and discontinued operations for the purposes of diluted (loss)/profit per share	(268.3)	(19.0)	(24.5)

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Loss from continuing operations for the purposes of basic (loss)/profit per share	(268.3)	(19.0)	(26.5)
Effect of dilutive potential ordinary shares – Cash settled awards and options	-	(0.3)	-
Loss from continuing operations for the purpose of diluted (loss)/profit per share	(268.3)	(19.3)	(26.5)

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Weighted average number of ordinary shares	**378.3**	361.3	378.1
Effect of dilutive potential ordinary shares – Share awards and options	-	6.6	-
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**378.3**	367.9	378.1

In accordance with IAS 33 "Earnings per Share", the effects of 0.3 million antidilutive potential shares have not been included when calculating dilutive earning per share for the period ended 30 June 2020 as the Group was loss making.

9. Intangible assets

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

In June 2020, an impairment indicator of IFRS 6 was triggered following the Group's decision that no substantive expenditure for its exploration areas in Vietnam and Egypt is either budgeted or planned in the near future. A material and sustained reduction in the oil price put pressure on the Group's capital available for investment.

As a result of this decision, capitalised exploration costs including costs associated with Blocks 125 & 126 in Vietnam of $17.1m along with $1.0m tax receivable (current – other receivable) and costs associated with Egypt projects in the amount of $4.8m, were written off in the income statement.

The $0.3m remainder in Intangible assets relates to the Israeli bid round licence fee. During 2019, the Group incurred $0.3m for signature bonuses in relation to the successful bid for 8 licences across zone A &C of the Israeli Offshore Exploration round. We continue to hold $2.7m cash in relation to bank guarantees for the Israeli offshore exploration licenses.

10. Property, plant and equipment

As a result of ongoing oil price volatility due to the continued impact of Covid-19 on demand for crude oil, 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 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.

Vietnam

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 2020, the fair value of the assets are estimated based on a post-tax nominal discount rate of 11% (2019: 10%) and a Brent oil price of $42.6/bbl in 2020 up to $67.6/bbl in 2025 plus inflation of 2% thereafter (2019: an oil price of $65.0/bbl in 2020, plus inflation of 2% thereafter).

For CNV, a pre-tax impairment charge of $15.5m has been reflected in the income statement with an associated deferred tax credit of $5.8m. As at 30 June 2020, the carrying amount of the CNV oil and gas producing property, after additions ($2.2m), DD&A ($6.4m) and impairment charge, is $104.4m.

For TGT, a pre-tax impairment charge of $132.0m has been reflected in the income statement with an associated deferred tax credit of $45.7 million. As at 30 June 2020, the carrying amount of the TGT oil and gas producing property, after additions ($15.0m), DD&A ($20.1m) and after impairment charge, is $205.5m.

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 an additional pre-tax impairment of $27.0m on TGT and of $5.9m on CNV. A 1% increase in discount rate would result in an additional pre-tax impairment of $5.2m on TGT and of $2.2m 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 2020, the fair value of the asset is estimated based on a post-tax nominal discount rate of 13% (2019: 12%) and a Brent oil price of $42.6/bbl in 2020 up to $67.6/bbl in 2025 plus inflation of 2% thereafter (2019: an oil price of $65.0/bbl in 2020, plus inflation of 2% thereafter). In addition, the fair value is based on a probability weighted average of a number of different development scenarios which are currently under active consideration. The variables included in these scenarios include the extent to which additional, currently unsecured, funding can be raised to invest in the field and the impact of these funding options on the estimated production profile.

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

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 an additional impairment (pre and post tax) of $25.9m. A 1% increase in discount rate would result in an additional impairment of $3.1m. In addition, in relation to the development scenarios outlined above, to the extent the assumed levels of funding are not available or the associated impact on future production is less favourable than forecast, this could give rise to material additional impairment charges in future periods.

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 has therefore decided to withdraw dividend payments during 2020, given the continued uncertainty in the macro environment.

In May 2019, the Company paid dividends to shareholders of $27.4m or 5.50 pence per Ordinary Share. The Pharos EBT, which is consolidated within the Group, waived its rights to receive a dividend in 2019.

12. Reconciliation of operating profit to operating cash flows

	(unaudited) six months ended 30 Jun 2020 $ million	(unaudited) six months ended 30 Jun 2019 $ million	Year ended 31 Dec 2019 $ million
Operating (loss)/profit	**(315.4)**	20.7	38.0
Share-based payments	**1.5**	1.8	3.7
Depreciation, depletion and amortisation	**39.4**	36.1	75.5
Impairment charge	**317.0**	-	-
Operating cash flows before movements in working capital	**42.5**	58.6	117.2
Increase in inventories	**-**	(1.8)	(0.5)
Decrease/(Increase) in receivables[1]	**18.5**	2.8	(1.7)
Decrease in payables[1]	**(5.1)**	(4.4)	(2.0)
Cash generated by operations	**55.9**	55.2	113.0
Interest received	**0.1**	1.8	**2.2**
Other/exceptional expense outflow	**-**	(1.1)	(2.4)
Income taxes paid	**(15.0)**	(21.5)	(40.5)
Net cash from continuing operating activities	**41.0**	34.4	72.3
Net cash used in discontinuing operating activities	**-**	-	-
Net cash from operating activities	**41.0**	34.4	72.3

[1] During the six months ended 30 June 2020 a total of $7.9m (1H 2019: $25.6m) of trade receivables due from EGPC in Egypt were settled by way of non-cash offset against trade payables.

13. Hedge transactions

During 2019 and 1H 2020 Pharos entered into different commodity (swap and zero collar) hedges, to protect its cash position and to ensure future compliance with its obligations under the RBL over the producing assets in Vietnam. The commodity hedges run until March 2021 and are settled monthly. The hedging positions in place at the balance sheet date cover 35% of the Group's forecast production until September 2021, securing an average price for this hedged volume of $44.8 per barrel (1H 2019: cover was 31% of the Group's forecast production from July 2019 to February 2020 entitlement volumes securing a minimum price for this hedged volume of $64.80 per barrel).

Pharos has designated the swaps and zero collar as cash flow hedges, measured at Fair Value through Other Comprehensive Income (FVOCI). This means that any 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. The carrying amount of the swap 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 asset position as of June 2020 was $6.7m (2019: liability position $3.0m). The reclassification to profit or loss corresponding to the realised gain or loss is included in "Revenue" in the consolidated income statement and for the period ended 30 June 2020 amounted to a gain of $21.1m (1H 2019: loss of $0.9m). The outstanding unrealised gain on open position as at 30 June 2020 amounts to $5.6m (1H 2019: gain of $0.6m).

14. Subsequent events

Following the scheduled half-yearly redetermination of our RBL a repayment of $22.3m was made on 30 June 2020, with a further payment of $9.4m made on 13 July 2020. We made a further voluntary prepayment of $7.3m on 30 July 2020.

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, the following three Non-IFRS measures are used: Net debt, EBITDAX and Net debt/EBITDAX.

Cash-operating costs per barrel

Cash operating costs are defined as cost of sales less depreciation, depletion and amortisation, 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 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Cost of sales	**71.0**	59.4	128.6
Less:			
Depreciation, depletion and amortisation	**(38.7)**	(35.5)	(74.4)
Production based taxes	**(2.4)**	(6.5)	(12.3)
Inventories	**(3.8)**	1.6	3.5
Other cost of sales	**(1.6)**	(2.1)	(3.9)
Cash operating costs	**24.5**	16.9	41.5
Production (BOEPD)	**12,093**	12,541	12,136
Cash operating cost per BOE ($)	**11.13**	9.41	10.45

Cash-operating costs per barrel by segment (2020)

	Vietnam $ million	Egypt $ million	Total $ million
Cost of sales	46.1	24.9	71.0
Less:			
Depreciation, depletion and amortisation	(26.5)	(12.2)	(38.7)
Production based taxes	(2.4)	-	(2.4)
Inventories	(3.8)	-	(3.8)
Other cost of sales	(0.9)	(0.7)	(1.6)
Cash operating cost	12.5	12.0	24.5
Production (BOEPD)	6,114	5,979	12,093
Cash operating cost per BOE ($)	11.23	11.03	11.13

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.

	(unaudited) six months ended 30 Jun 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Depreciation, depletion and amortisation	38.7	35.5	74.4
Production (BOEPD)	12,093	12,541	12,136
DD&A per BOE ($)	17.58	19.76	18.74

DD&A per barrel by segment (2019)

	Vietnam $ million	Egypt $ million	Total $ million
Depreciation, depletion and amortisation	26.5	12.2	38.7
Production (BOEPD)	6,114	5,979	12,093
DD&A per BOE ($)	23.81	11.21	17.58

Net Debt

Net debt comprises interest-bearing bank loans, less cash and short-term deposits.

	(unaudited) six months ended 30 Jun 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Cash and cash equivalents	37.8	66.3	58.5
Borrowings*	(73.9)	(100.0)	(100.0)
Net (Debt)/Cash	(36.1)	(33.7)	(41.5)

*Exclude unamortised capitalised set up costs

EBITDAX

EBITDAX is earnings from continuing activities before interest, tax, depreciation, amortisation, impairment, exploration expenditure and other/exceptional items in the current year.

	(unaudited) six months ended 30 Jun 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Operating (loss)/profit	(315.4)	20.7	38.0
Depreciation, depletion and amortisation	38.7	36.1	75.5
Impairment	317.0	-	-
EBITDAX	40.3	56.8	113.5

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 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Net (Debt)	(36.1)	(33.7)	(41.5)
EBITDAX	40.3	56.8	113.5
Net Debt/EBITDAX	0.90	0.59	0.37

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 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Total Debt	73.9	100.0	100.0
Total Equity	249.0	516.8	510.1
Debt to Equity	0.30	0.19	0.20

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.

	(unaudited) six months ended 30 Jun 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Net cash from continuing operations activities	**41.0**	34.4	72.3
Weighted number of shares in the year	**378,335,889**	361,294,746	381,170,329
Operating cash per share	**0.11**	0.10	0.19

Operating profit/(loss) excluding impairment

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

	(unaudited) six months ended 30 Jun 20 $ million	(unaudited) six months ended 30 Jun 19 $ million	Year ended 31 Dec 19 $ million
Operating (loss)/profit	**(315.4)**	20.7	38.0
Impairment charge	**317.0**	-	-
Operating profit/(loss) excluding impairment charge	**1.6**	20.7	38.0