PHAROS ENERGY

Annual Report & Accounts 2023

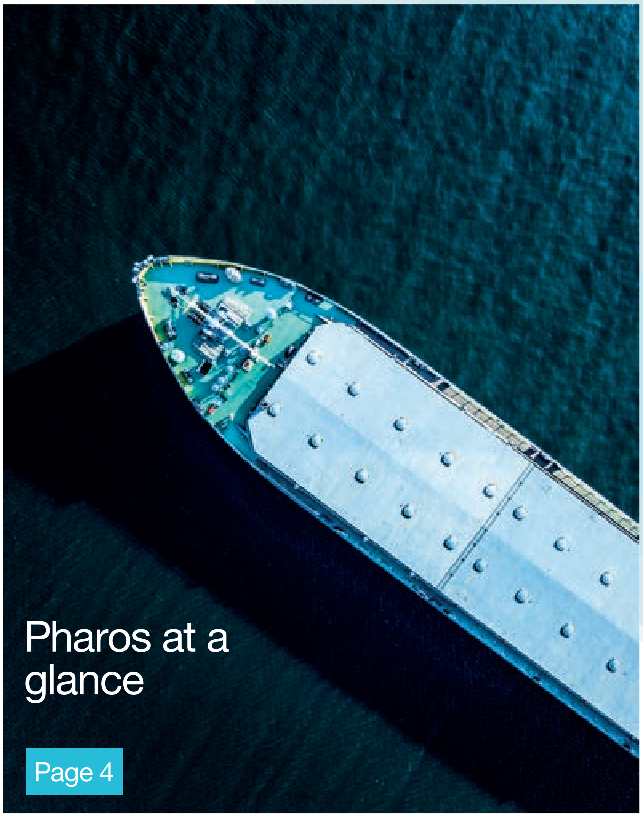
www.pharos.energy

STRATEGIC

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION



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WHO WE ARE

Pharos Energy is an independent energy company with a focus on delivering long-term sustainable value for all stakeholders through regular cash returns and organic growth, underpinned by robust cash flow and a resilient balance sheet.

With a registered office in London and listed on the premium segment in the main market of the London Stock Exchange, we have production, development and exploration interests in Egypt and Vietnam.

Our purpose is to provide energy to support the development and prosperity of the countries, communities and families wherever we work, in line with recognised social and environmental practices.

EGYPT

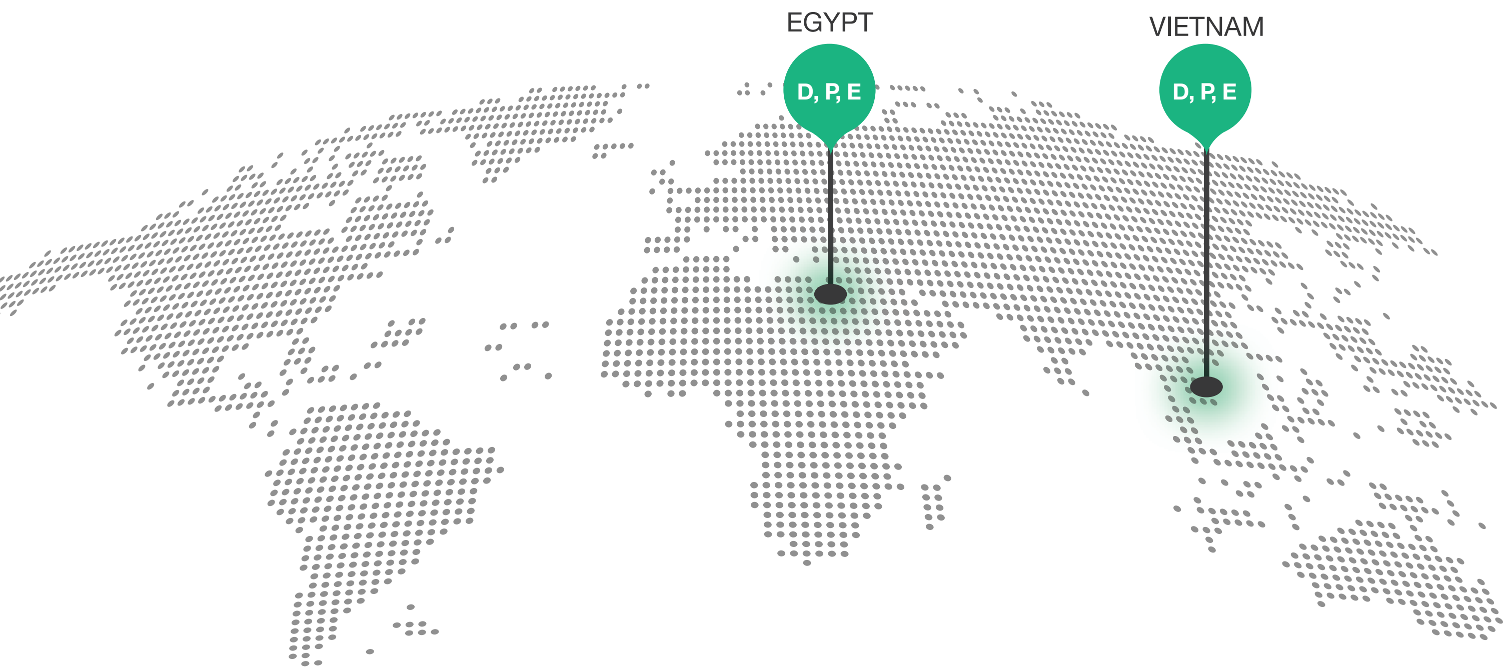
1,381 bopd

2023 EGYPT PRODUCTION (NET)

VIETNAM

5,127 boepd

2023 VIETNAM PRODUCTION (NET)



D: Development **P:** Production **E:** Exploration

As a business, our ability to deliver value is key to our robust stakeholder investment case.

Our distinctive portfolio in the energy regions of Asia and MENA, together with a robust and disciplined capital allocation framework, supports our strategy of delivering long-term sustainable growth. We have a range of opportunities in the portfolio to position us for a positive future. Our purpose is to continue to provide energy for communities around the world and fuel their lives and businesses.

2023 KEY FIGURES

1997	Listed on London Stock Exchange
17,839	Acreage km^2
13	Oil & Gas fields
6	Blocks
36	Global Employees (2022: 36 employees)
2	Countries

2023 GROUP HIGHLIGHTS

Cash operating costs* ($/boe)
$15.70/boe
(2022: $16.36/boe)

Operating Cash Flow ($m)
$44.9m
(2022: $53.4m)

Cash & cash equivalents ($m)
$32.6m
(2022: $45.3m)

Revenue ($m)
Prior to hedging loss of $0.2m
$168.1m
(2022: $221.6m, prior to hedging loss of $22.5m)

RETURN TO SHAREHOLDERS

Share Buybacks
$2.8m (2022: $3m)

2022 Dividend paid in 2023
$5.6m (or 1p per share, paid on 12 July 2023)
(2022: $0m)

Average net production (boepd)
6,508 boepd
(2022: 7,166 boepd net)

* Read More
Non-IFRS measures on page 190

Focused portfolio of complementary assets

We have a diversified mix of onshore and offshore producing, development and exploration assets in two territories - Egypt and Vietnam.

EGYPT (D,P,E)

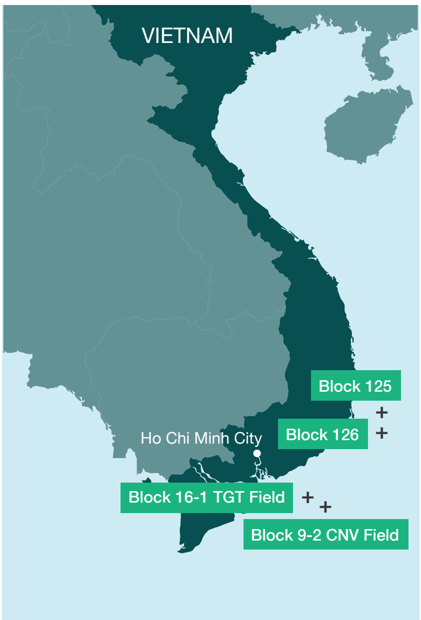
We have high quality onshore, low-cost oil production operations, development and exploration assets in Egypt. Production is from 10 development leases in the El Fayum Concession located in the Western Desert south west of Cairo and close to local energy infrastructure, and 1 development lease on the North Beni Suef ("NBS") Concession which was awarded in September 2023 and production started in December 2023. We hold further low-risk low-cost near-term exploration opportunities in both the El Fayum and NBS Concessions. In March 2022, Pharos completed a farm-out transaction with IPR, following which IPR now holds a 55% working interest and operatorship in each of the El Fayum and North Beni Suef Concessions, with the Group holding the remaining 45% non-operated working interest.

1,381bopd*

2023 AVERAGE PRODUCTION (net)

2022: 1,748 bopd*)

* The farm-down transaction and transfer of operatorship of the Group's Egyptian assets to IPR completed on 21 March 2022. Although the economic date of the transaction was 1 July 2020, working interest production for Egypt in 2022 is reported as 100% through to completion and 45% thereafter. Production numbers are given as 100% working interest until 21 March 2022 and then 45% for the remainder of 2022 and entirety of 2023.



VIETNAM (D,P,E)

We have valuable and long-established producing fields in Vietnam, with the first discovery in 2004 and first oil production in 2008. Production is from two fields (TGT in Block 16-1 and CNV in Block 9-2) in the Cuu Long basin. There is further potential for organic growth from a basin-opening frontier play with a number of potentially world class prospects and leads already identified in two exploration blocks in the Phu Khanh basin (Blocks 125 & 126).

5,127boepd

2023 AVERAGE PRODUCTION (net)

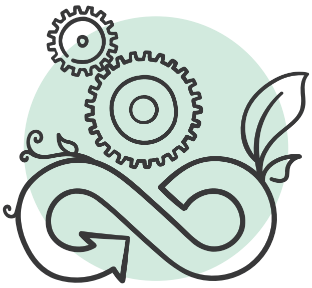
(2022: 5,418 boepd)

D: Development **P:** Production **E:** Exploration

OUR STRATEGY & PURPOSE

A focused strategy to fulfil our purpose

Our strategy has positioned the business for long-term value creation, whilst building on a track record of 20+ years of shareholder returns.



Our Purpose

Our purpose is to provide energy to support the development and prosperity of the countries, communities and families wherever we work, in line with recognised social and environmental practices.

Our Strategy

We are committed to deliver long-term, sustainable value for all our stakeholders through regular cash returns to shareholders and investment in our assets to generate growth, underpinned by robust cash flow and a resilient balance sheet.

We invest in a balance of near-term potential and longer-term value, with the aim of enhancing value creation for all stakeholders.

To achieve this, we focus on maximising reserves from existing producing oil and gas fields, such as from our El Fayum and NBS Concession in Egypt and TGT & CNV fields in Vietnam, through flexible capital investment across oil price cycles to unlock reserves upside and improve operating performance. This is complemented by organic growth activity through further extensions in existing fields and developments & explorations offshore Vietnam on Blocks 125 & 126 and onshore Egypt on both the El Fayum and NBS Concessions, to unlock longer-term value.

Our Stakeholders

To our investors:

Creating and returning value to shareholders through a combination of annual dividends and organic growth.

To our host countries:

Creating shared prosperity & helping countries use oil revenues to promote sustainable, inclusive economic development, manage the impact of climate change and achieve their COP and other domestic and international commitments.

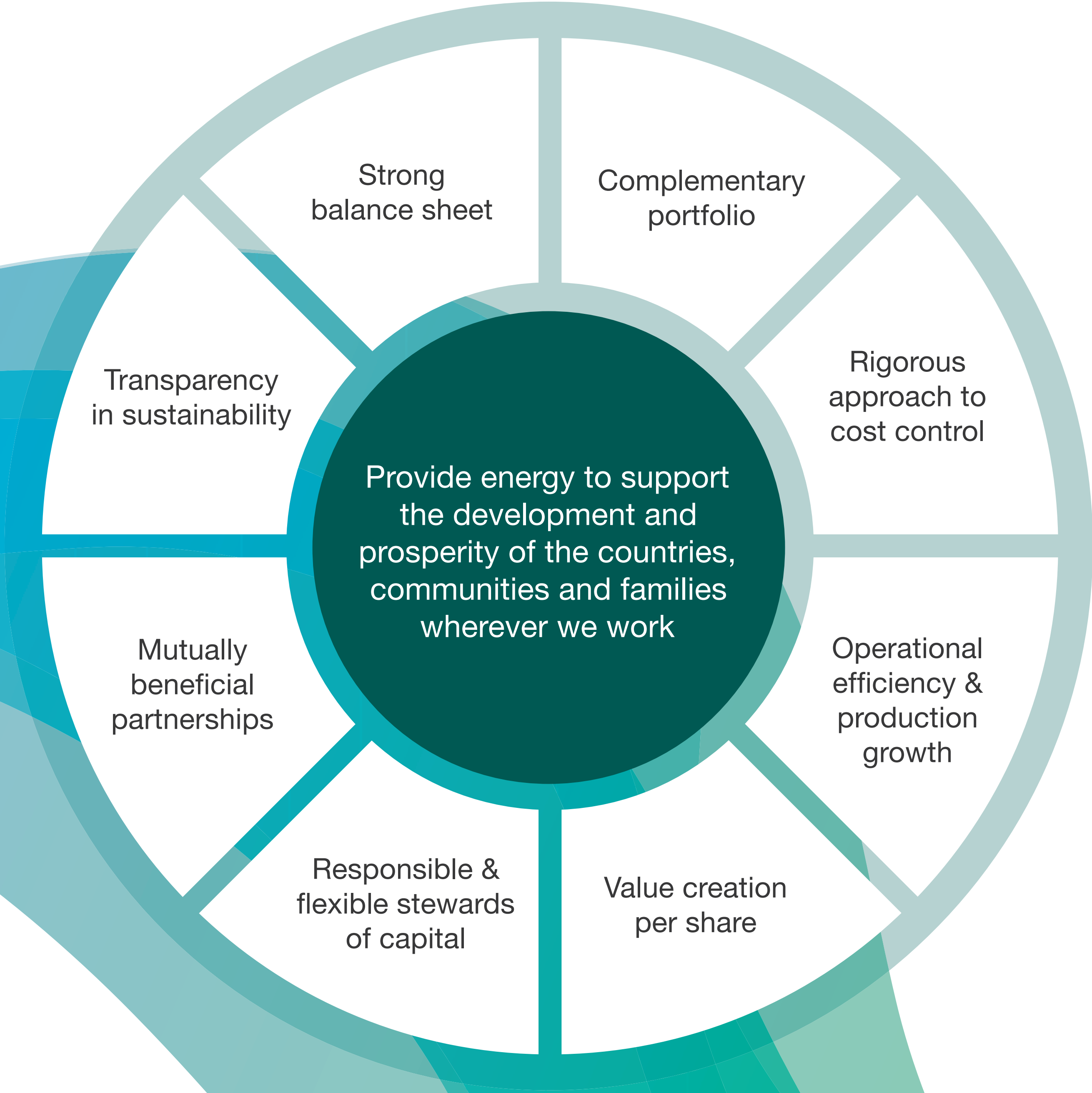
To our people:

Providing an inclusive and diverse workplace, empowering people with differing backgrounds, skills, and experiences to do meaningful work based on the Pharos Way guiding principles of safety and care, energy and challenge, openness and integrity, empowerment and accountability, and pragmatism and focus.

To all stakeholders:

Engaging and dealing with stakeholders in a transparent and constructive manner in accordance with applicable local and international laws and otherwise aspiring to the highest ethical standards of business conduct.

Our Strategic Objectives



OUR STRATEGIC OBJECTIVES - continued

Complementary portfolio

Over the past years, we have built a distinctive and complementary portfolio in the energy regions of Asia and MENA, with multiple organic growth opportunities and value-adding activities that have potential to generate near-term free cash flow.

Rigorous approach to cost control

We focus on our cost base wherever we are. We have kept a rigorous approach to drive down costs and created a lean Board and organisational structure suitable for the future. This positions us well to thrive throughout the commodity price cycle.

Operational efficiency & production growth

We apply our expertise locally with operational teams in each region, working closely with partners and joint operating companies to achieve operational efficiency and grow production. We encourage dialogue and co-operation between the different business assets to ensure new ideas and solutions are shared. Our stable operational performance in 2023 has established a firm foundation for future growth and support the delivery of our strategy.

Value creation per share

Our goal is to deliver a combination of regular cash returns plus growth potential for shareholders. We aim to maximise value per share for all shareholders, and we are not chasing scale for its own sake. We are committed to delivering value on all sides of the equation.

Responsible & flexible stewards of capital

Capital discipline and financial stability have always been key to the Group and continue to underpin the business. The Board and senior management team maintain a clear focus on our capital allocation goals: to balance consistent returns to shareholders with investment in our assets to generate sustainable value and cash flow, while preserving the resilience of the balance sheet.

Mutually beneficial partnerships

The operational successes the Company has had over the years would not have been possible if not for the supportive relationships we have with our valued partners and stakeholders. Our assets are operated predominantly through JOCs, but we are actively involved in JOC management and work collaboratively with our partners to identify areas of mutual sustainable benefits. A combination of long-standing in-country presence and focus on building relationships with both host governments and regulatory authorities has cultivated many successes for the Group, our partners, the JOCs and the local economies. We also maintain good relationships with our valued group of lenders to ensure financial stability in times of uncertainties.

Transparency in sustainability

Sustainability is a key value in our business. We made a formal commitment to achieve Net Zero on our Scope 1 (direct) and Scope 2 (indirect) GHG emissions from all our current and future assets by no later than 2050, and published a Net Zero roadmap in December 2023 with interim emission reduction targets and decarbonisation levers to achieve our climate target. We recognise that the journey to Net Zero and a more sustainable future will not be simple nor straightforward, but we remain committed to transparency in our reporting and to keeping stakeholders updated on our progress.

Strong balance sheet

Protecting balance sheet strength is fundamental to our business model. Costs and the balance sheet are actively managed through maintaining positive operational cash flow combined with a focused approach to capital allocation, an active hedging programme, a mix of debt instruments in place, and a modest gearing level.

Investment Case

OUR INVESTMENT CASE – continued

1. Capital discipline in our DNA

We have a culture of prudent financial management, capital allocation and capital return.

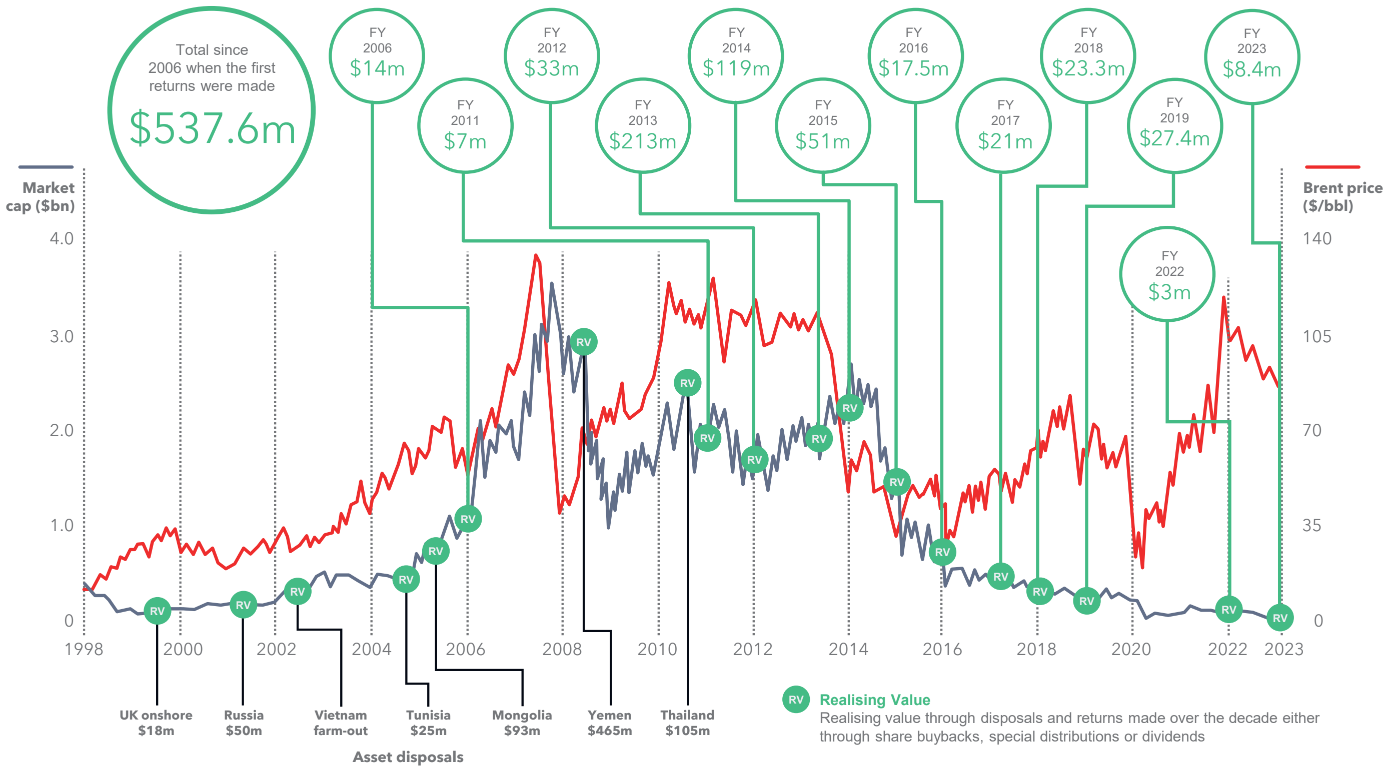
We exhibit capital discipline through a focus on cost management, a part of our DNA, which is underpinned and enhanced by our commitment to annual cash returns to shareholders. Capital allocation decisions are taken to make investments where they will generate risk-adjusted full-cycle returns, with a focus on near term cash generation and long-term growth.

We use our expertise:

- To allocate capital to those assets which offer a combination of cash flow, growth and sustainability
- To focus on our cost base wherever we are
- To assess and develop high grade growth opportunities
- To provide cash returns to shareholders

A commitment to cash returns to shareholders remains a core element of our overall allocation framework. We aim to create value per share, not chasing scale for its own sake. It is this approach that has allowed us to return significant amounts of capital to shareholders since 2006.

As at year end 2023, we are proud to have returned $537.6m to shareholders, through a combination of dividends, share buybacks and capital growth.



Read More

CFO's Statement on page 40

2. Unique and complementary assets

Over the past years, we have reshaped the portfolio into a unique and complementary mix of Asia-MENA assets, with a range of near-term organic growth opportunities, ranging from low-cost low-risk onshore producing assets to basin-opening world-class potential offshore exploration.

EGYPT

Onshore, low cost, in-fill drilling path to grow production with proven exploration upside

1,381bopd
NET 2023 PRODUCTION
(2022: 1,748 bopd)

14.4mmboe
2P RESERVES AS AT YEAR END 2023
(2022: 15 mmboe)

11
DEVELOPMENT LEASES AT THE EL FAYUM AND NBS CONCESSIONS

45%
PHAROS WORKING INTEREST
(2022: 100% working interest until 21 March 2022 and then 45% for the remainder of the year)

Egypt is an economy with growing energy needs provided by its domestic oil and gas sector, which operates within a well-established regulatory framework.

Following Pharos' farm-down transaction and transfer of operatorship over our Egyptian assets to IPR in 2022, we delivered good operational performance in Egypt in 2023, having exploration successes in both the El Fayum Concession and North Beni Suef (NBS) Concession. On El Fayum, the first exploration commitment well encountered oil-bearing reservoirs in the Abu Roash G and Upper Bahariya formations in 1H 2023. On NBS, the first exploration commitment well (NBS-SW1X) was declared a commercial discovery after encountering multiple pay zones in the Abu Roash G formation and put on production in December 2023, having been granted a 20-year development lease by EGPC in December 2023.

Our strong operational performance in 2023 provides the Group with significant operational momentum going into 2024. Nevertheless, the continuing volatility of the macroeconomic environment in Egypt means that the Group maintains our modest and measured approach to capital allocation and drilling in Egypt with an eye on the receivables balance. Further devaluation of EGP against USD during the year, along with the lack of ability to convert EGP into USD, means that it remains preferable to continue holding USD denominated receivables, other than where they can be used to fund ongoing expenditures upon expiry of the carry from IPR.

Upcoming catalysts in 2024

- Continuation of a modest and measured approach to capital allocation and drilling in El Fayum and NBS, with an eye on the receivables balance
- Focus for this year's work programme in El Fayum is low cost recompletions and waterflood
- Development drilling in the NBS SW field is planned to start in 2H 2024
- Processing and interpretation of c.130km^2 of 3D seismic data on NBS is underway and expected to be completed in 2H 2024

Read More
Operations Review on page 29

VIETNAM

High net back producing assets with further significant exploration potential

5,127boepd
NET 2023 PRODUCTION

(2022: 5,418 boepd)

9.1mmboe
2P RESERVES AS AT YEAR END 2023

(2022: 12.2 mmboe)

4
BLOCKS IN VIETNAM

25+
YEARS ACTIVE IN VIETNAM

The Group's current producing interests in Vietnam, the Te Giac Trang (TGT) and Ca Ngu Vang (CNV) fields in the Cuu Long basin off the southern coast, together, are amongst Vietnam's largest oil producers. On 9 January 2024, the Company received approval on its TGT Revised Field Development Plan ("RFDP"), and planning is underway for a two-well TGT drilling programme expected to commence in 2H 2024.

We have further potential for growth from two deep-water basin-opening exploration positions in Blocks 125 & 126 in the Phu Khanh basin off the eastern coast of Vietnam. In July 2023, Pharos published an independent report prepared by ERCE on Blocks 125 & 126 in Vietnam which makes estimates of prospective oil resources with an aggregated gross unrisked Mean of 13,328 MMstb, covering those Prospects and Leads already identified. The report supports Pharos' internal assessments and paves the way for further work to develop new Leads and mature Leads to Prospects. All work done to date highlights the scale of the potential in these blocks. Together with the approval from the Vietnamese Government in June 2023 for the two-year extension of the Exploration Period of the Blocks 125 & 126 Production Sharing Contract now extended to November 2025, Pharos is well placed to bring in a farm-in partner and complete all necessary work to drill the first exploration well on this basin opening play where we see material world-class frontier exploration potential.

Upcoming catalysts in 2024

- Planning underway for a two-well TGT drilling programme, expected to commence in 2H 2024
- Continued engagement with partners and in-country regulators to finalise licence extensions for TGT & CNV
- On Block 125, ongoing discussions with another operator to secure a well drilling slot in connection with their proposed multi-well drilling programme in the region
- Parallel discussions with several potential farm-in partners for Block 125 are in progress

3. Operational capability

Amidst ongoing global uncertainty, Pharos continues to deliver consistent operational results, thanks to the efforts of our teams, of our partners and of the local JOCs, who have managed to navigate the macroeconomic challenges without compromising our operational capability.

Long operational history in Asia-MENA

Our history with Vietnam since 1996 has been a success story both for the company and the country. As at 2023, Pharos has invested over $1.3 billion in the exploration, appraisal and development of oil and gas projects located offshore Vietnam since inception, making Pharos one of the largest British investors in the country. In Egypt, IPR has a long-standing in-country presence and relationships with the Egyptian government and regulatory authorities, which position them well to support the expansion of operational activity needed to develop the resource base.

Our long operational history provides a strong foundation for our future work programmes to manage both the cash generation and the growth potential of our assets, and to deliver on our strategy.

Excellent safety record in Vietnam

The health & safety of the Group's workforce is the highest priority for Pharos. We are proud to report an exceptional safety record of zero lost time injuries and zero fatal incidents in our Egyptian assets in 2023, and in our Vietnam assets since our operational inception in 1996. This is thanks to the JOCs' consistent effort to provide and champion workers' health, safety and well-being.

Read More
Corporate Responsibility Report on page 62

OUR INVESTMENT CASE – continued

4. Diverse & inclusive workforce

Greater diversity and inclusivity brings greater understanding of people. Led by the 5 Pharos Guiding Principles of 'Safety and Care', 'Energy and Challenge' 'Openness and Integrity', 'Empowerment and Capability', and 'Pragmatism and Focus', we have demonstrated our commitment to maintaining and building a culture of diversity and inclusion.

Diversity in all dimensions

We operate in a global industry, and it is vitally important to ensure that we benefit from the diverse perspectives that people can bring. For this reason, equality, diversity and inclusion sit at the heart of our recruitment, development and promotion processes. Across all of our assets, we acknowledge diversity in all its dimensions and welcome people with differing backgrounds, skills, nationalities, gender and experiences to help us deliver our business strategy of long-term sustainable growth. As at year end 2023, the Board has four female directors out of six, with both executive positions held by women. We recruit talents from diverse backgrounds across our entire organisation. Most notably our UK-based staff comprises 17 people from 10 different nationalities, of which women accounted for c. 65%.

Our Code of Business Conduct and Ethics, associated policies and the Pharos Guiding Principles commit us to providing a workplace free of discrimination where all employees can fulfil their potential based on merit and ability, and we will continue to align our Company with this ethos.

Regional knowledge and experience

We apply our expertise locally with operational teams in each region, working closely with partners and JOCs. We encourage dialogue and co-operation between the different business assets to ensure the sharing of knowledge and new ideas. We are committed to providing meaningful opportunities for training and capacity building in host countries. We have maintained a gender-neutral recruitment process and, wherever possible, we first look to fill any vacancy internally with a local candidate in London, Vietnam or Egypt.

Read More

Corporate Responsibility Report on page 62

A year of good performance

2023 has been a year characterised by good operational and financial performance across the Group.

JOHN MARTIN
Non-Executive Chair

Throughout the portfolio, the team's focus on operational delivery was evidenced by good drilling performance in both Vietnam, with the CNV well coming in strongly, and in Egypt, with discoveries on both the El Fayum and NBS exploration wells. We have continued to build on a culture of capital discipline to deliver material improvement to the Group's balance sheet despite ongoing payment lags in Egypt. This performance has allowed the Board to continue our commitment to sustainable shareholder returns in 2023, a core component of the Company's strategy since its listing in 1997.

These achievements are a testament to the hard work, dedication, and commitment of the entire Pharos team. I would like to congratulate all of my colleagues on a year of good performance which has positioned Pharos for a positive and sustainable future, with strong operational momentum, a robust capital structure, and exciting growth opportunities.

Board changes

Over the past year, I have greatly appreciated the support of my fellow Board members and the diverse skillsets that they bring to the table. Since joining Pharos in 2019, I have overseen the reshaping of the Board to ensure we meet stakeholders' expectations of an independent Board that provides high standards of governance and oversight to support our long-term strategic framework. As such, I am delighted that Bill Higgs has joined the Pharos Board as an Independent Non-Executive Director. Bill is a very high-calibre appointment, bringing a wealth of technical and commercial experience. His initial focus will be to maximise value from our exciting exploration prospects in Vietnam, Blocks 125 & 126.

It is with great sadness that I note the death of Ed Story in December 2023. Ed founded the Company in 1991 and had been pivotal to the Company and its business from inception, specifically its listing in London in 1997 and its subsequent foray into a dozen different countries. Since retiring as CEO in March 2022, Ed had remained active as part of the Company's team in Vietnam. His responsibilities will now pass to Vincent Duignan, the Group Exploration Manager & General Manager South East Asia.

Jann Brown has informed the Board of her intention to retire and step down from the Board effective 30 April 2024, in a separate announcement today. The search for a replacement CEO will commence shortly and Jann has agreed to stay in her position as CEO to effect a managed and smooth transition. I would like to take this opportunity to thank Jann for her significant contribution to Pharos over the years. Jann will be leaving the Company in a strong position, both financially and operationally. We wish Jann well in her retirement.

A diverse and inclusive culture

Pharos is proud of our small yet diverse workforce, whose broad range of backgrounds, ethnicities, skills and experience help strengthen the Company for the future. As at year end, I am pleased to report that the Company has four female Directors, representing two thirds of the Board. Most notably, our UK-based staff comprises 17 people from 10 different nationalities, of which women accounted for c.65%. We operate in a global industry, and it is important to ensure that we benefit from the diverse perspectives that our people bring.

The Board and Management team are dedicated to creating a safe workplace for all, in which people are confident to engage and contribute. The opening up of the world post COVID-19 has allowed the Board to meet in person and engage meaningfully with our colleagues across the world. In June 2023, the Company

CHAIR'S STATEMENT - continued

organised an off-site day where colleagues from Egypt, Vietnam and the UK met in London to exchange business ideas, provide feedback and promote team-building. This is important not only for the effective functioning of the Board, but also to develop and empower all employees, underpinning our commitment to maintaining high standards of governance.

We recognise that 2023 has seen significant geopolitical instability, something that has had far-reaching impacts on communities and families, the global economy, and trade. Our thoughts remain with those who have been affected by the active conflicts in Ukraine and the Middle East. We continue to support our colleagues and contractors during this difficult time, as well as ensuring that our business can continue to function unaffected.

Ongoing dialogues with stakeholders

Pharos' operational success and long-standing partnerships, spanning over 25 years, are built on a culture of transparency and integrity. Since joining the Board, Jann and I have maintained regular dialogues with local governments, joint-operating partners, local communities, and shareholders to ensure the Board is well-informed as the Company develops its plans for growth.

In November 2023, the Board held a Strategy Day to focus on where and how we can offer value to our stakeholders, with inputs from a number of key parties, experts and shareholders. The results of our Strategy Day reinforced our commitment to pursue a combination of cash returns per share and reinvestment to enhance our asset base - a strategy regularly communicated back to our stakeholders. In November, Jann and I also met with the Vietnamese Minister of Industry and Trade to discuss the proposed licence extensions on our assets in country, highlighting the important benefits that these bring, not just to Pharos but also to Vietnam.

The Board and its management team will continue to engage in a personal and meaningful way with our various stakeholders in 2024 and beyond. We are grateful to our shareholders whose support during times of uncertainty have been crucial to our growth and transformation throughout the years.

Making a positive difference

Recent events in 2023 have shown a need for better and more balanced energy systems worldwide, delivering energy that is not only lower carbon, but also reliable and affordable for developed and emerging nations alike. The outcomes of COP28 in December 2023 highlighted the importance of energy and climate security, and I firmly believe that responsible production and development of oil and gas resources, especially in economies transitioning from heavy reliance on coal such as Egypt and Vietnam, can be a major driver for economic development and alleviating energy poverty. Our host governments understand and appreciate Pharos' in-country impact that goes beyond national revenues from oil and gas production. In light of our strong relationships, local governments have encouraged Pharos to look into opportunities across other branches of the energy sector in their countries. We recognise a diverse mix of energy resources is crucial for long-term energy security, and we appreciate our host nations' trust in us and the long-term role that we play in their countries' energy transition.

While it is clear that there are emerging opportunities across the energy sector, our first priority is improving our emissions footprint by enhancing our own operational efficiency. I am proud of the progress that we have made on our Net Zero journey. In December 2023, Pharos published a detailed Net Zero Roadmap to achieve net zero GHG emissions by 2050. The Net Zero Roadmap, which was researched and developed by the Company in close consultation with specialist advisors and consultants, models emission reduction pathways to achieve net zero Scope 1 (direct) and Scope 2 (indirect) GHG emissions from all existing and proposed future assets by 2050 or before. We look to reduce our emissions over the years and remain committed to transparency in our sustainability journey.

Social stewardship is at the heart of our sustainability journey. In 2023, we supported a record 22 community investment projects across Egypt, Vietnam, and the UK, investing a total of $247,373 in education, training, healthcare and infrastructure in our local communities. Pharos remains committed to deploying our expertise and capital to partner with host governments to develop local capacity, enhance energy security and unlock value from our host nations' natural resources in an environmentally sustainable and socially responsible manner.

Outlook

Jann and her team continued to deliver on the Company's strategy in 2023 and built on our track record of sustainable shareholder returns. Focusing on a clear growth strategy and disciplined capital management approach, we will continue to deliver regular returns to shareholders whilst growing the value of our company.

As Chair, I would like to thank the Pharos team for their commitment and delivery through the year. I am also grateful to our host nations and communities for their continued trust, our shareholders for their confidence, and our partners, suppliers and advisors for their support. We have created a portfolio of assets and set of capabilities which are unique within our sector, and the Board looks to the future with great confidence in our ability to deliver growth and value in 2024 and beyond.

JOHN MARTIN
Non-Executive Chair

Market overview

Economics and geopolitics

In 2023 energy security remained as a major global theme. Ongoing geopolitical instability across sub-Saharan Africa, conflict in Gaza, and emerging disruption to trade transiting through the Red Sea all had substantial impacts on the global energy market. The global energy crisis triggered by Russia's invasion of Ukraine, prompted many governments to prioritise domestic energy supply. The reorganisation of global relationships and structures that occurred after the Russia-Ukraine conflict and the COVID-19 continued to persist into 2023. Strained international relations have contributed to uncertainty and unpredictability, disrupting global trade and eroding confidence in the global market.

Energy and climate change remain to be politically polarizing issues, with stagnant progress made on the energy transition in many regions. The Intergovernmental Panel on Climate Change of the United Nations warned in April 2023 that the effects of climate change will soon become irreversible.

Geopolitical risk continues to impact global economic growth. Although inflation has come down, interest rates remain high. With the anticipation of economic downturns in the US and Europe, and China experiencing its slowest growth in years, serious risks to the world economy persist.

US-China tensions flared in 2023 following the sighting of a Chinese surveillance balloon over the U.S., prompting President Joe Biden to postpone his visit to Beijing, and subsequent trade restrictions being imposed. Global attention continues to focus on military build-up around Taiwan and the response from the U.S. to any provocation. The fraught relationship between the world's two most powerful countries remains a key geopolitical risk going into 2024.

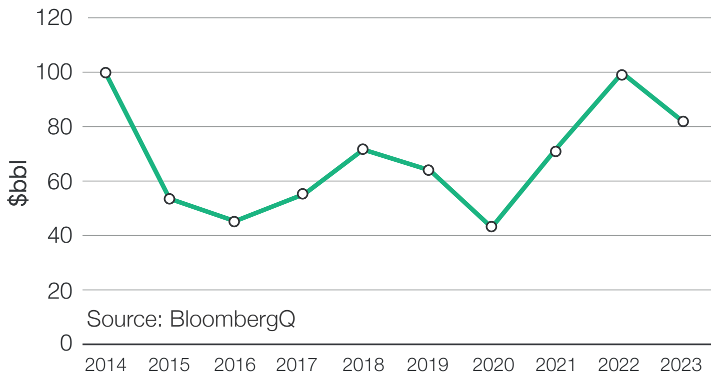
As we look to 2024, we are entering a super-election year, with elections in countries including but not limited to, the US, UK, the EU, Indonesia, India, and a number of African countries. Elections can cause volatility in the market as businesses and investors react to electoral changes.

Oil price

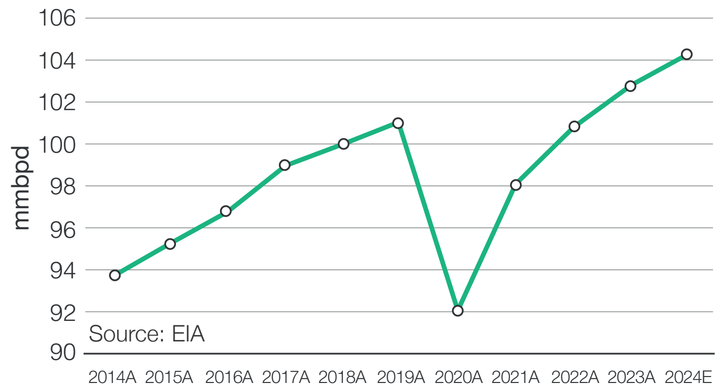
Oil markets in 2023 witnessed a more stable pricing environment compared to the volatility experienced in 2022. The average Brent crude price for the year was US$82, an 18.63% decrease from the average price in 2022. As central banks ending rate hike campaigns and OPEC+ applied supply cuts in July and August, prices rallied and peaked at US$96.55 in September 2023. However, oil prices declined towards the end of the year despite the escalating conflict in the Middle East, as non-OPEC+ supply strengthened, coinciding with slowing global oil demand growth.

Although demand for oil modestly increased by 2.3mmbbls/d compared to the previous year according to the International Energy Agency (IEA) data, this figure conceals the impact of a further weakening macroeconomic climate. Over the course of 2023, the pace of demand growth outside of China significantly slowed, averaging around 300 kb/d during the second half of the year.

Brent crude 2012-2023 ($bbl)



Global Crude Oil Consumption 2013-2024E



MARKET OVERVIEW - continued

The average realised crude oil price for Vietnam was $87.42/bbl (2022: $106.44/bbl), representing a premium to Brent of just under $7/bbl on average (2022: just over $4/bbl). For Egypt, the average realised crude oil price was $78.18/ bbl (2022:$96.03/bbl), representing a discount of over $4/bbl to Brent for the year (2022: over $5/bbl).

The Board's strategy to mitigate the principal risk of commodity price instability is set out on pages 54 to 59. Our approach to hedging is partly dictated by the minimum requirements of our RBL facility and to protect our Reasonable Worst Case (RWC), but is otherwise regularly reviewed to evaluate whether the benefit of hedging its oil production is in the best interest of shareholders. The Board considers the balance between protecting the Group in low oil price scenarios and the opportunity cost of being unhedged. In addition, Pharos continues to manage its overall portfolio to target a low breakeven oil price, regardless of actual oil prices. Cost efficiencies are maintained, even in higher oil price environments, as a result of our strong capital discipline with all operational decisions – including new country entry, production optimisation and acquisitions.

Operational decisions are reviewed through the lens of full-cycle project economics in a range of oil price scenarios.

The risk of global oil supply disruptions from the Middle East conflict remains heightened at the start of 2024, particularly for oil flows via the Red Sea and the Suez Canal. In the absence of significant disruptions to oil flows, the market looks reasonably well supplied in 2024, with global supply growth set to rise by 1.5 million barrels a day to a new high of 103.5 million barrels, fuelled by record-setting output from non-OPEC+ countries notably US, Brazil, Guyana and Canada.

Looking forward, with geopolitical tensions and economic uncertainties, the IEA predicts that the Brent crude oil price will increase to an estimated US$82.49 per barrel in 2024.

For more information on the impact of climate change on the long-term oil prices and demand, please see page 60 of the Viability Statement.

Egypt

Egypt continues to experience economic challenges, facing continuing global economic and political shocks, along with domestic bottlenecks seeing economic growth declining to 4.4% in 2023 (down from 6.6% in the previous year). Egypt's challenges are compounded by geopolitical events, including the conflict in Ukraine and Gaza, domestic foreign exchange shortages and historic inflation. However, international organisations recognise Egypt's strategic position in the region.

In December 2023, President Abdul Fattah al-Sisi won a third six-year term. With the expectation that infrastructure investment will continue across the country, the administration will need to manage growing public debt and inflationary costs.

Inflation continues to have significant impacts, with double digit rates continuing from 2022 and accelerating to 37.4% in August 2023. Food inflation stands at 71.7%. Across the country, price rises on subsidised goods have pushed the cost of living beyond the reach of many citizens. Egypt is still one of the world's largest importers of wheat, and continued to source supply from Russia. In 2023 Egypt started shifting towards direct purchases instead of tenders, after the war in Ukraine disrupted their purchasing.

Foreign exchange reserves have started to recover following significant outflows in 2022, the last reported figures in August 2023 noting US$ 42.9bn. The Egyptian pound has been struggling against the US dollar (USD), with one USD selling for c.30.95 Egyptian pounds, compared to 15.7 Egyptian pounds in 2022. Restrictions placed on outgoing USD transfers by the Central Bank of Egypt, along with increasing shortages of USD, continued to present challenges or international business operating in Egypt, with hard currency needed to pay for foreign goods and a subsequent shortfall in imports.

It is expected that improvements will be seen over the medium term with stabilisation and structural reforms. The International Monetary Fund projected real GDP for 2024 to increase by 3.6%. Egypt's consumption of wheat is expected to rise by a further 50,000 tonnes in 2023-2024; to meet this demand imports are projected to increase by 7%, further pressurising foreign currency.

Vietnam

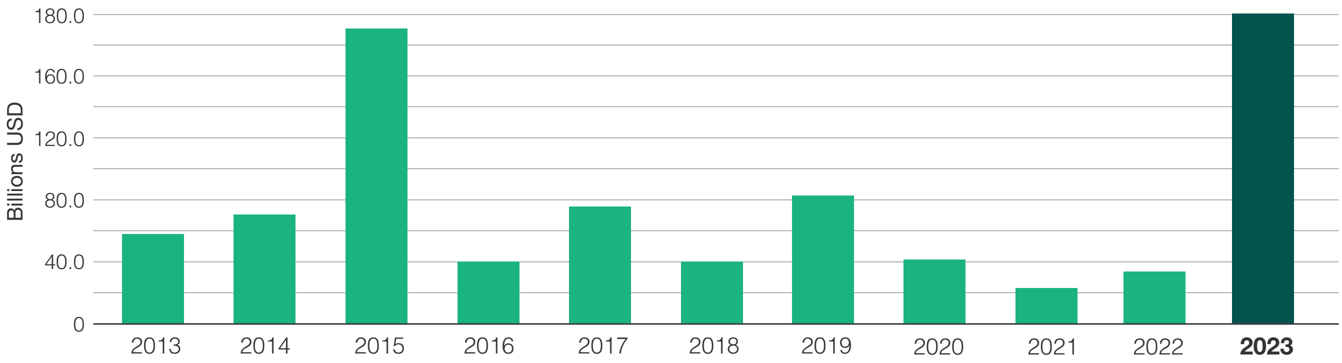
Vietnam's GDP growth rate slowed to 5.05% this year from an expansion of 8.02% last year, influenced by weak global demand. However, amidst a global economic slowdown, Vietnam's economic performance in 2023 was positive considering the challenging global environment. The country demonstrated a notable recovery from the COVID-19 pandemic with quarter-by-quarter economic growth in 2023, credited to a range of policies and measures implemented by the government to alleviate market bottlenecks. Foreign Direct Investment (FDI) increased by 2.7%, reaching US$23 billion in disbursement, reaffirming Vietnam's status as a sought-after destination for foreign capital.

Looking ahead to 2024, Vietnam's GDP growth is estimated to hover around the 6% mark next year, and the growth prospect for Vietnam in 2024 is still more favourable compared to other Southeast Asian countries. The economy expanded 6.72% in the final quarter of 2023, which is a good sign for 2024, however, this projection will largely depend on events unfolding in other parts of the world.

E&P Merger & Acquisition activities

Global upstream M&A activity rose significantly in 2023 compared to 2022, reaching a total of c.$182 billion. This increase was in part driven by activity in the US, following major mergers involving ExxonMobil, Chevron and Occidental Petroleum. M&A activity was not constrained to North America and the latter part of the year saw ENI and Var Energi purchase Neptune Energy for $4.9 billion, and Harbour Energy purchase Wintershall Dea for $11.2 billion.

Global E&P M&A Total Transaction Value, ($USDmm)



Source: S&P Capital IQ

Net Zero

The 2023 United Nations Climate Change Conference (the Conference of Parties or COP28) held in Dubai saw intense scrutiny on the role of fossil fuels in the future energy mix, the presentation of the first Global Stocktake measuring progress against the Paris Agreement and a number of companies signing an Oil & Gas Decarbonisation Charter. The closing agreement, known as the 'Dubai Consensus' was the first agreement with wording agreed to phase out fossil fuels alongside increasing renewable energy and requirements for countries to report their decarbonisation progress.

The United Nationals Environment Programme (UNEP) Carbon Emissions Gap report published in 2023 found that there has been progress since the Paris Agreement was signed in 2015. Greenhouse gas emissions in 2030, based on policies in place, were projected to increase by 16% at the time of the agreement's adoption. Today, the projected increase is 3%. However, predicted 2030 greenhouse gas emissions (GHG) still must fall by 28% for the Paris Agreement 2°C pathway and 42% for the 1.5°C pathway.

The International Energy Agency's Energy Outlook also published in 2023 continued to note that energy security presents opportunities for the energy transition whilst Russia's invasion of Ukraine, instability in the Middle East could lead to further disruption to energy markets and prices. It is likely there will continue to be an acceleration of countries and industries committing to further decarbonisation in the run up to 2030. Pharos continues to monitor the global energy market to inform future value and business decisions.

In December 2023, the Company took the next step in its net zero journey by publishing a detailed net zero roadmap, following its commitment in September 2022, to achieve net zero GHG emissions by 2050. This roadmap has been researched and developed by specialist consultants and models emission reduction pathways to achieve net zero Scope 1 (direct) and Scope 2 (indirect emissions). The roadmap reinforces the Company's key value of sustainability within its business strategy. Further details on our Corporate Responsibility Report can be found on page 62.

Pharos acknowledges the growing body of regulation around climate change in jurisdictions around the world, this stems from scientific insight, raising standards and increased disclosure requirements. In 2023 we continued to report and disclose our emissions in accordance with UK industry requirements and standards. The Company notes the increasingly globalised and integrated approach to voluntary regulation through disclosure, with companies going ahead of regulation. We are committed to meeting requirements including the Taskforce on Climate Related Financial Disclosures (TCFD). Further information on this can be found on page 83.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Commitment to adding value

Pharos delivered on several fronts in 2023. Throughout the year, the Board and senior management team maintained a clear focus on capital discipline to strengthen our financial position and enhance existing opportunities within our portfolio.

JANN BROWN
Chief Executive Officer

We put the funding of our established dividend programme at the heart of our business model, and it is through this lens that we assess our capital allocation goals. We are determined to balance regular returns to shareholders with investment in our assets to generate sustainable growth, and value per share whilst preserving balance sheet resilience.

Our investment programme in 2023

We have managed the challenges of payment delays in Egypt, thanks in part to our carry, but also by strict cost control and capital discipline. We ended the year in a strong financial position with net debt down 77% to $6.6m and cash balances of $32.6m, from revenues of $168.1m. A stronger balance sheet provides the foundation to continue our track record to deliver shareholder returns, adding $8.4m this year through a combination of share buyback programmes and dividend payments. As at year end 2023, we are proud to have returned a total of $537.6m to shareholders.

Our assets are the foundation of our returns and during the year, we made progress on a number of opportunities within the portfolio. In Vietnam, we continued to deliver a high netback and stable production during the year. Production in 2023 from the TGT and CNV fields averaged 5,127 boepd, in line with guidance, with delivery from the first CNV lateral well coming in above expectations in the first half. The approval of the TGT RFDP from MOIT in January 2024 was the final step towards the commencement of a two-well TGT drilling programme, which is expected to start in the second half of this year. On the exploration side, the publication of the independent report prepared by ERCE on Blocks 125 & 126 further highlights the world-class scale and potential in these basin-opening exploration blocks, confirming 13,328 MMstb of mean gross unrisked prospective oil resources. With the exploration period of the PSC now extended to November 2025, Pharos is well placed to source a rig, bring in a farm-in partner and complete all necessary work to drill the first exploration well on this exciting opportunity.

In Egypt, discretionary investment has been modest, and focused on delivering a steady performance from El Fayum, averaging 1,381 bopd, in line with guidance. We also ensured that our commitments to host governments were fulfilled. Most notably, the Group had drilling successes on both the El Fayum and North Beni Suef Concessions. The NBS-SW1X exploration commitment well was declared a commercial discovery and put on production only nine months after drilling, following the grant of a 20-year development lease in September 2023. This was a crucial first step towards proving up this new reserve base and adding further barrels to overall Group reserves and subsequently production. The reforms recently announced by the Egyptian government, plus the international funding packages totalling together $57 billion, set out the path for Egypt's economic recovery and the restoration of sustainable, inclusive growth. In the early stages of these reforms, the JV will maintain a measured approach to capital allocation and drilling in Egypt in 2024. However, we recognise that it is important to be fully prepared to increase our investment levels once payments for oil production reach a more regular pattern.

The health and safety of our workforce remains our highest priority. We are committed to operating safely and responsibly at all times. Pharos continued to have an excellent safety record during 2023, and I am pleased to highlight that the Company reported zero LTIs across the Group. In particular, in Vietnam, this is an achievement that we have maintained since 1997 thanks to the JOCs' consistent efforts to provide and champion workers' health, safety, and well-being. We are careful to maintain this achievement going into 2024.

Our stable operational performance in 2023 has laid a solid foundation for the 2024 work programme to further develop growth potential in our assets. Underpinned by a strong balance sheet and steady production base across the portfolio, Pharos is in a good position to execute our strategy of delivering sustainable value through a focus on organic and inorganic growth opportunities, coupled with our commitment to regular shareholder returns.

A clear focus on our strategic priorities

1. Regular shareholder returns

At Pharos, we have a firm commitment to add sustainable shareholder value, and both the means and discipline to do it. We established a sustainable shareholder return framework via share buybacks and dividends, as part of the return mix that we can control. Dividends have been a key part of the Company's equity story since its listing and, following approval at the 2023 AGM, we returned $5.6m to shareholders via a single dividend for the 2022 financial year of 1 pence per share. In December 2023, an interim dividend of 0.33 pence per share, or $1.7m equivalent, was paid in January 2024. Our dividend policy is set in a clear formula, returning no less than 10% of operating cash flow (OCF) and takes into account volatility in the market such as movements in commodity prices, tax, and working capital movements. Today, the Board have recommended a final dividend for the 2023 financial year of 0.77 pence per share which, subject to shareholders' approval at the Company's 2024 AGM, would take the 2023 full year dividend to 1.10 pence per share, an increase of 10% on the prior year. In addition, we announced in December 2023 the continuation of our share buyback programme, with a further $3m committed for 2024. This is another way for Pharos to return value to shareholders and to enhance NAV, earnings and dividends per share to shareholders over time.

2. Cash flow protections

Prudent financial management is a core part of our corporate DNA. Our focus on capital discipline through careful cost management and control has resulted in material net debt reduction in recent years. We maintain a balance of hedged and free-floating Group production, with less than 30% of the Group's 2024 production hedged at 31 December 2023, thus providing material exposure to the oil price. Pharos also operates in two very different jurisdictions which provides diversification and resilience in a volatile world. In particular, we are proud of our consistent payment record in Vietnam, with TGT & CNV crude commanding an impressive premium to Brent of just under $7/bbl in 2023, a significant improvement from the prior year's $4/bbl. This has been driven by improvements in oil prices and our three-year sales contract for all TGT crude oil cargoes with BSR, which provides benefits in delivering into the local economy and reducing logistical spend as well as output tax savings. Additionally, to mitigate the impact of payment issues in Egypt, we have a working capital facility with the National Bank of Egypt (UK) to smooth out payment cycles there. Our receivables balance has built up in part due to the benefit of the carry we have had over all JV expenditure in Egypt, leaving us with in-country corporate costs only, and partly due to our position of not drawing down the balance in local currency. With the carry expiring in 1Q 2024, we intend to use this receivables balance to fund the majority of the JV expenditure going forward. As our dividend policy is based on the resilience of our operating cash flow, we maintain a strict capital control framework to protect our cash flows.

3. Diverse opportunity sets

We have a portfolio of organic growth opportunities in both Vietnam and Egypt, with options continuously being explored and development work progressed to maximise the potential of these complementary assets. In Vietnam, a variety of interesting leads and prospects have been identified on Block 125, a unique deep-water frontier exploration opportunity. We are in active parallel discussions with several parties interested in farming-in to support the funding of a commitment well on this Block and engaging with another operator to secure a well drilling slot during their multi-well drilling programme in the region. In Egypt, the exploration successes in both the North Beni Suef and El Fayum Concessions, complemented by the 20-year development lease on NBS-SW1X, added significant value to our low-cost Egyptian asset base and bode well for future growth.

We keep our assets under review to ensure that they are delivering the expected value and will look to monetise if we can accelerate this. As we maintain a firm handle on our existing portfolio, we are also considering inorganic opportunities. We actively look for opportunities to generate additional value and cash flow for our shareholders. We have a highly competent and dedicated team with strong industry relations to assess these in a disciplined and systematic manner.

CHIEF EXECUTIVE OFFICER'S STATEMENT - continued

Net Zero and our role in the energy transition

As Pharos explores these opportunities, we remain focused on the role we play in the socio-economic development of our host countries. We believe that oil and gas companies like Pharos, with our commitment to producing safely and responsibly, a wealth of industry expertise, and a strong balance sheet, will continue to play an important part in the energy transition, especially in emerging economies. In dialogues with our host governments, we note their recognition of the importance of our operations and investments to energy security and prosperity. We are encouraged to keep investing in their countries to ensure that they benefit from their natural resources as have many other nations, particularly in the developed world. This is exactly what we have done in 2023, having committed to the domestic sale of 100% of oil and gas produced from our producing assets in both Egypt and Vietnam during the year.

The critical role of upstream producers in the energy supply chain also opens opportunities to add value through the integration of other alternative energy resources, both to improve upstream efficiency and for standalone cash generation.

Pharos strengthened our commitment to net zero in 2023. We took another step in maturing our net zero strategy by publishing our Net Zero Roadmap in December, which provided further clarity in our pathway towards our 2050 climate commitment. The Net Zero Roadmap, which was researched and developed by the Company in close consultation with specialist advisors, established decarbonisation levers and interim targets to reduce our 2030 emissions by 15% against baseline 2021 emission. Additional information about our decarbonisation strategy, Emission Management Fund, and climate governance structure are included in our Net Zero Roadmap, which is available to download on our website.

We recognise that the path to net zero will not be straightforward, as it will take time to implement certain decarbonisation technologies and require pragmatism from our local partners, governments, and other stakeholders. Nevertheless, we are committed to our climate goals and will navigate our net zero journey in an honest and transparent manner, true to our corporate values of the 'The Pharos Way': Safety & Care, Energy & Challenge, Openness & Integrity, Empowerment & Accountability, and Pragmatism & Focus.

Our relationships with stakeholders

'The Pharos Way' drives not only our attitude towards sustainability and net zero, but also the way we build and maintain our relationship with stakeholders. We were greatly encouraged by the open and receptive dialogues we had with key stakeholders during the year.

In January 2023, the Company held a lunch to engage with analysts, both those providing research on the Company and those that do not, to foster relationships with key figures in the industry. During the year, we have met key individuals representing regulators and government in both Egypt and in Vietnam. We also engage regularly and meaningfully with the investment community and debt providers through multiple roadshows, meetings, live presentations, and Q&A sessions. We remain actively engaged with our joint venture partners and regularly participate in budget reviews, work programme discussions, and Management Committee meetings throughout the year. The Board and management team work hard to ensure we meaningfully engage with the whole workforce at various points during the year, as previously discussed in the Chair's Statement.

The supportive relationship that exists between Pharos and its different groups of stakeholders is a key building block to the successful delivery of our strategy, and we will continue to build on these collaborative relationships in 2024 and beyond.

Outlook

Although 2023 brought continued uncertainties, Pharos rose to these challenges and delivered a stabilised asset base set for growth, a more resilient balance sheet, well-protected cash flows, and an exciting mix of opportunities to pursue in 2024.

Finally, the significant change in the outlook for the Egyptian economy means that the most turbulent years look to be behind us. I have therefore decided that this is the right time for me to step down and hand over the baton to someone who will lead that next phase.

With capital discipline in our DNA, a clear set of strategic objectives, a portfolio of complementary assets, a strong financial position, a dedicated and diverse workforce, a committed Board and bench strength across the management team, the company has started 2024 well-positioned to deliver long-term sustainable value for all, and my successor will be chosen to take that to the next level.

I would like to take this opportunity to thank all our stakeholders for their ongoing support and our employees for their hard work, commitment and tenacity. I am confident in our ability to execute our strategy and look forward to seeing Pharos on a path towards a new phase of growth and shareholder returns.

JANN BROWN
Chief Executive Officer

BUSINESS MODEL

How our business model creates sustainable value

We are building a business focused on generating sustainable returns. We look to grow Pharos through the responsible management of our current portfolio and careful selection of opportunities, particularly those with near-term low-cost development and exploration assets with transformative potential within Asia and MENA.

VALUE INPUTS

Our people

- Extensive industry experience
- Technical expertise & commercial acumen
- Relationship-driven
- Diverse & inclusive workforce

VALUE INPUTS

Our assets

- Mix of complementary assets
- Low-cost onshore drilling in Egypt
- Mature, short payback in Vietnam
- Basin-opening frontier offshore exploration in Vietnam and proven exploration upside in Egypt

VALUE INPUTS

Our capital

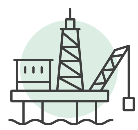
- Rigorous approach to cost
- Low breakeven oil price in Vietnam
- Modest gearing
- Disciplined capital allocation process

Assess

We assess opportunities which offer near term cash generation and longer term growth. We generate opportunities from within our existing asset base and balance the value of investing in the business with the value of cash returns to shareholders.

Invest

Our investment programme will continue to be allocated over our asset base in a disciplined manner to deliver sustainable returns for our stakeholders. We maintain a culture of prudent financial management, capital allocation, and capital returns.



Develop & Produce

Our production increases through the development of existing discovered resources. We seek to maximise margins through optimising production at low operating costs. We are committed to responsible and safe operations at all times.

VALUE OUTPUTS

Organic growth opportunities

- Development of existing discovered resources
- World class exploration prospects and leads in in Block 125&126 in Vietnam
- Conventional and unconventional + exploration potential

VALUE OUTPUTS

Stakeholders

- Net Asset Value (NAV) per share growth
- Regular cash return to shareholders
- Local capability training, local employment & trusted partnerships
- In-country economic contribution and social investment

VALUE OUTPUTS

Growth metrics

- Safe and responsible operations
- Development of discovered Egyptian resources through onshore, low cost, in-fill drilling
- Continued development of Vietnam producing assets through licence extensions and revised field development plans
- Farm-in partner to support the funding of a commitment well and develop the full potential of Block 125

KEY METRICS

Reporting on our performance

We use both financial and non-financial metrics to manage long-term performance and deliver on our responsible business plans. They are kept under review and regularly tested for relevance against our strategy and policies.

Read More*
Non-IFRS measures on page 190

2023 Financial Measures

LOW CASH OPERATING COST
$/BOE *

15.70

Description
Low operating expenditure helps deliver high margin production revenues. The cost of producing a single barrel of oil is influenced by industry costs, inflation, fixed costs and production levels.

Objective
To be profitable at lower oil prices.

Performance
Pharos achieved an operating cost of $15.70/boe in 2023, a decrease over 2022, largely due to lower FPSO cost on TGT and, in Egypt, the continuing devaluation of EGP against USD during the year.

Outlook
We continue to target improvements in 2024 and beyond through managing costs and increasing production.

Links to strategy
- Deliver value through growth

Associated risks
- Partner alignment risk
- Political and regional risk

Links to Remuneration Report (See page 126)

CAPITAL EXPENDITURE CASH
$M (includes abandonment funding)

26.7

Description
Investment in the asset base required to maintain and grow the business and directed to the assets in Egypt and Vietnam.

Objective
To achieve returns in excess of cost of capital.

Performance
The 2023 cash capital expenditure was lower than 2022 due to reduced drilling campaigns. No new development wells were drilled on TGT, and the new lateral well 2PST1 on CNV, which commenced in 2022, was completed in February 2023. In Egypt, there were three new wells on El Fayum and, on NBS, the first exploration well, NBS-SW1X, started producing in December 2023.

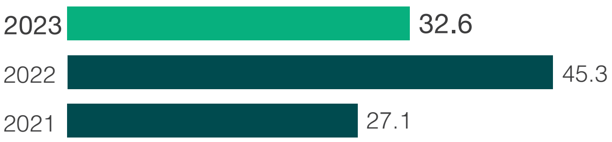
Outlook
The cash capex forecast for 2024 is expected to be c.$32.2m (c.$27.3m after Egyptian carry by IPR).

Links to strategy
- Deliver value through growth
- Investment growth

Associated risks
- Commodity price risk
- Partner alignment risk

CASH AND CASH EQUIVALENTS
$M

32.6



Description
Pharos has a history of stable finances and a strong balance sheet due to the prudent management of producing assets.

Objective
To maintain financial strength through preserving the balance sheet, to invest in growth opportunities in excess of the cost of capital and to generate sustainable returns to shareholders

Performance
Pharos has a cash balance of $32.6m, a decrease of 28% on prior year, mainly driven by lower commodity prices and production volumes. In addition, cash reserves have been utilised in the repayment of borrowings, predominantly the RBL, which has significantly lowered our debt level to $39.2m (2022: $74.2m). Pharos' net debt position as of 31 December 2023 was $6.6m (2022: $28.9m).

Outlook
Capital discipline and financial stability have always been key to the Company and continue to underpin the business.

Links to strategy
- Deliver value through growth
- Return to shareholders

Associated risks
- Commodity price risk
- Insufficient funds to meet commitments

RETURNS TO SHAREHOLDERS
PENCE PER ORDINARY SHARES

1.10

Description
Commitment to cash returns to shareholders remains a core element of our overall allocation framework

Objective
To provide sustainable cash returns to shareholders.

Performance
The Board have recommended a final dividend in respect of the year ended 31 December 2023 of 0.77 pence per share subject to approval of the shareholders at the Company's 2024 AGM. Subject to this approval, the final dividend will be paid in full on 19 July 2024 in Pounds Sterling to ordinary shareholders on the register at the close of business on 14 June 2024, with an ex-dividend date of 13 June 2024. This would take the 2023 full year dividend to 1.10 pence per share, an increase of 10% on the prior year.

Outlook
We are committed to delivering long term, sustainable value to our shareholders via both regular cash returns yield and organic growth. An annual dividend remains a key aspect of the Company's capital discipline and investment thesis.

Links to strategy
- Deliver value through growth
- Return to shareholders

Associated risks
- Commodity price risk
- Climate change risk
- Sub-optimal capital allocation risks

KEY METRICS - continued

Operational measures

LOST TIME INJURY FREQUENCY (“LTIF”)
PER MILLION MAN-HOURS WORKED

0

Description
Safety of our workforce remains our number one priority. The Group is committed to operating safely and responsibly at all times. Having a positive impact on the wellbeing of our employees, our contractors and the local communities in which we operate is a priority.

Objective
To achieve zero LTIF across the Group’s operations.

Performance
In 2023, we are pleased to report that there were zero lost time injuries and zero fatal incidents across the Group.

Outlook
Continue to work closely with the Joint Operating Companies to maintain high safety standards and training with the aim of driving continuous improvement year-on-year.

Links to strategy
- Focus on stakeholders

Associated risks
- HSES risk
- Partner alignment risk

Links to Remuneration Report (See page 126)

GROUP NET PRODUCTION
BOEPD

6,508

Description
Production revenues generate cash flows which are re-invested in the portfolio of assets, new business opportunities, and in returns to shareholders.

Objective
To optimise production from the Group’s asset base.

Performance
Vietnam 2023 working interest production was 5,127 boepd net (2022: 5,418 boepd net) and Egypt 2023 working interest production was 1,381 bopd net (2022: 1,748 bopd net).

Outlook
Group working interest 2024 production guidance is 5,200 – 6,500 boepd net. Vietnam 2024 production guidance is 3,900 – 5,000 boepd net, and Egypt 2024 production guidance is 1,300 – 1,500 bopd net.

Links to strategy
- Deliver value through growth

Associated risks
- Reserve risk
- Sub-optimal capital allocation risks
- Commodity price risk

KEY METRICS - continued

SOCIAL AND ECONOMIC INVESTMENT $

747,373

Description

In Vietnam, a training levy of $150,000 for each joint operating company goes into a fund which is ring-fenced to support the development of future talent in the industry. In Egypt, under the El Fayum and North Beni Suef Concession Agreements, the Company contributes a total of $200,000 per year split equally between the two Concessions to support training and development within the industry.

Objective

To continue supporting local capability building and social investments in Vietnam and Egypt.

Performance

In 2023, in addition to the aforementioned training levy funds (which totals to $500,000), a further $247,373 was invested in a total of 22 healthcare, education, infrastructure and community projects. To enhance our social investment efforts, we have established a Charity and Community Projects committee responsible for selecting and allocating funds to worthy causes and projects. More details can be found in our Corporate Responsibility Report on page 73.

Outlook

Build on previous work, and continuously assess and review where the most valuable contribution to long-term social projects, both at the local level and more widely, can be made.

Links to strategy

- Focus on stakeholders

Associated risks

- Commodity price risk
- Insufficient funds to meet commitment
- Business conduct and bribery

EMPLOYEES UNDERTAKEN ANTI-BRIBERY AND CORRUPTION TRAINING %

100

Description

Our Anti-Bribery and Corruption ("ABC") programme is designed to prevent corruption and ensure systems are in place to detect, remediate and learn from any potential violations. All personnel are required to complete annual ABC training.

Objective

To have all Group personnel complete the annual ABC programme including training, testing and self-declaration statement.

Performance

100% of personnel completed the ABC training as at year end 2023.

Outlook

Maintain 100% completion rate for the ABC training and testing. Comply with new legislations and industry best practices and ensure the training programmes are up-to-date.

Links to strategy

- Deliver value through growth
- Investment growth

Associated risks

- Partner alignment risk
- Business conduct and bribery

OPERATIONAL REVIEW

Egypt

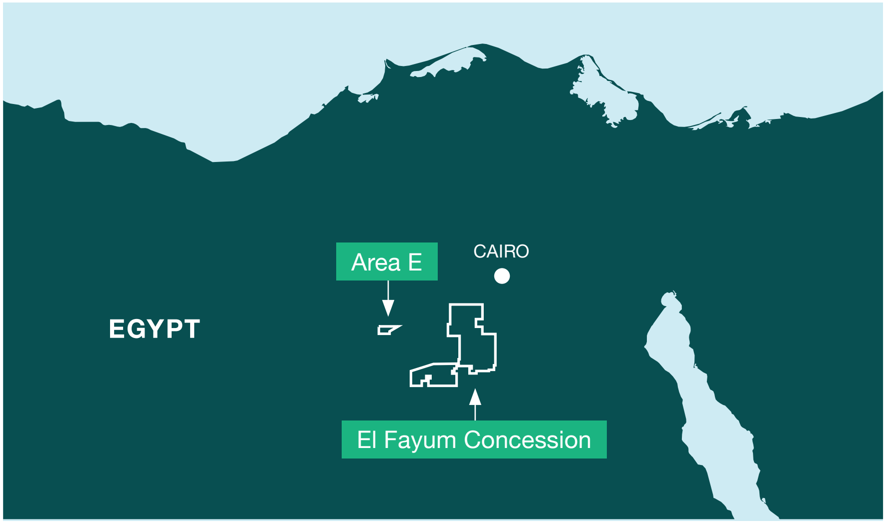
The Group has a 45% non-operating interest in two concessions in Egypt - El Fayum and North Beni Suef.

1,381 bopd

2023 Egypt production (net)

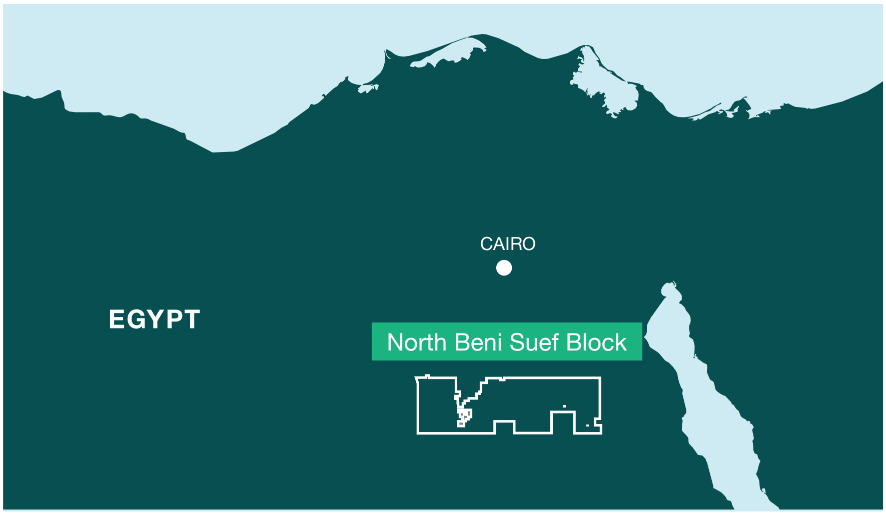
11

Development leases in El Fayum and North Beni Suef



El Fayum (D,P,E)

The El Fayum Concession is located in the low-cost and highly prolific Western Desert, about 80km south west of Cairo and close to local energy infrastructure.



D: Development **P:** Production **E:** Exploration

North Beni Suef (D,P,E)

The North Beni Suef (NBS) Concession is also located in the Western Desert, to the south of the El Fayum Concession. After declaring commercial discovery in NBS SW 1X well and fulfilling the exploration commitment in NBS Concession, the company was granted a 20-year development lease for NBS Concession from September 2023 with extra five years extension with bonus payment.

Egypt Production in 2023

Production for 2023 from the El Fayum Concession averaged 3,069 bopd gross and 1,381 bopd net to the Group (2022: 3,128 bopd gross and 1,748 bopd net). This is in line with the 2023 production guidance announced in January 2023 of 1,350 – 1,800 bopd net.

Egypt Development and Operations in 2023

El Fayum

Three new wells in El Fayum (2 producers and 1 injector) were put on production and injection in 2023, in line with pre-drill expectations.

North Beni Suef

On NBS, the first exploration commitment well (NBS-SW1X) was declared a commercial discovery and put on production in December 2023. A new 20-year development lease for NBS-SW1X was awarded by EGPC in September 2023, opening up a new area for production and development.

Two workover rigs remain on field to contribute to production through low-cost well repairs, recompletions, and deployment of water injection.

Egypt Exploration in 2023

El Fayum exploration

On El Fayum, there was exploration success with the first commitment well in the Abu Roash G and Upper Bahariya formations in July 2023. The well is set up for re-entry and testing in 2024.

North Beni Suef (NBS) exploration

On NBS, all technical commitments of the initial exploration period have been fulfilled with 3D seismic survey acquired on time and on budget in 2H 2023, and the completion of two exploration commitment wells. As noted above, in September 2023, NBS-SW1X was declared a commercial discovery. Production from the well commenced in December 2023, following the grant of the first development lease on the Concession. The second and final exploration commitment well for the first phase of the NBS exploration period (NBS-5X) was drilled in the Abu Roash G formation at a deeper depth and failed to encounter oil-bearing sands. The result of this well does not hinder other mapped prospects in the Concession.

2024 Work Programme

El Fayum & North Beni Suef

- Egypt production guidance for 2024 is 1,300 – 1,500 bopd net.
- Continuation of modest and measured approach to capital allocation and drilling in El Fayum and NBS, with potential to ramp up activity this year and beyond in response to the improving economic environment.
- Focus for this year's work programme in El Fayum is low-cost recompletions and waterflood.
- Development drilling in the NBS SW field is planned to start in 2H 2024.
- Processing and interpretation of c.130km^2 of 3D seismic data on NBS is underway and expected to be completed in 2H 2024.

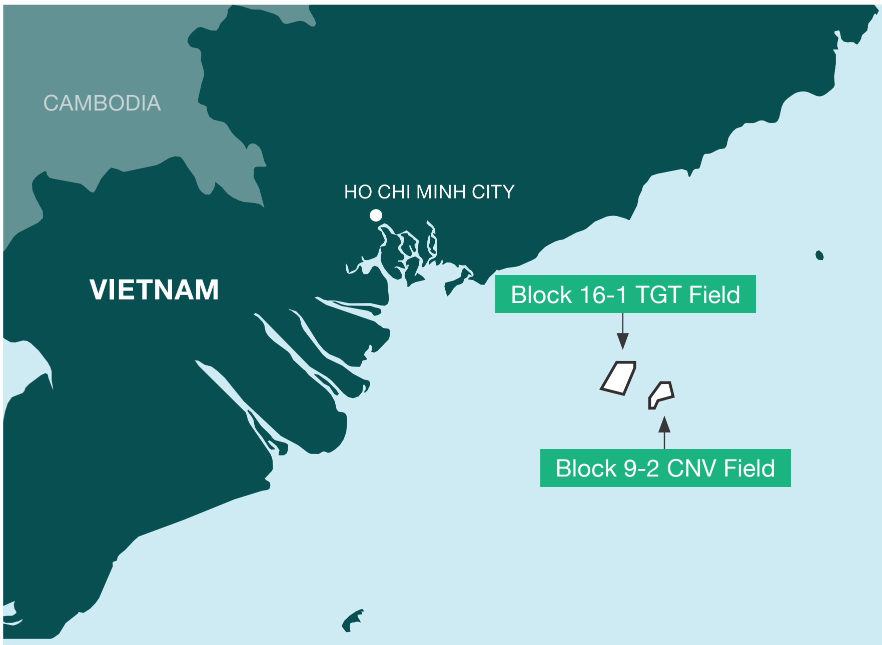
OPERATIONAL REVIEW - continued

Vietnam

Pharos has two producing assets, Te Giac Trang (TGT) and Ca Ngu Vang (CNV), and two exploration blocks (Blocks 125 & 126) in Vietnam.

5,127 boepd
2023 Vietnam production (net)

4
Blocks in Vietnam

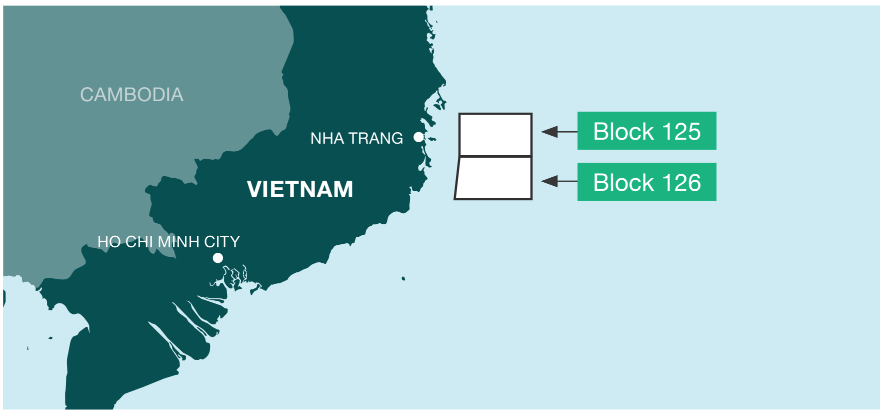


Block 9-2 CNV Field (D&P)

The CNV Field is located in Block 9-2, offshore Vietnam, in the shallow water Cuu Long Basin. In contrast to the geology of TGT, the CNV Field reservoir is fractured granitic Basement.

Block 16-1 TGT Field (D&P)

The TGT Field is located in Block 16-1, offshore Vietnam in the shallow water Cuu Long Basin multi-stacked sandstone reservoirs.



Blocks 125 & 126 (E)

Blocks 125 & 126 are located in moderate to deep waters in the Phu Khanh Basin, north east of the Cuu Long Basin.

D: Development **P:** Production **E:** Exploration

Vietnam Production in 2023

Production in 2023 from the TGT and CNV fields net to the Group's working interest averaged 5,127 boepd (2022: 5,418 boepd). This is in line with the production guidance for Vietnam announced in January 2023 of 4,700 – 5,700 boepd net.

TGT production averaged 12,341 boepd gross and 3,661 boepd net to the Group (2022: 13,784 boepd gross and 4,089 boepd net). CNV production averaged 5,861 boepd gross and 1,466 boepd net to the Group (2022: 5,317 boepd gross and 1,329 boepd net).

Vietnam Development and Operations in 2023

TGT & CNV Fields

On Block 16-1 – TGT Field, operational activities were focused on adding low-cost production through well intervention and production optimisation opportunities (surface and subsurface) in absence of new wells drilling. The TGT RFDP was approved by MOIT on 9 January 2024.

On Block 9-2 – CNV Field, the field saw strong performance from its first new lateral well, which was delivered on time, under budget, and put on production in 1Q 2023. The CNV RFDP for additional drilling was submitted to partners for approval in 2023, and discussions are ongoing.

The Company has continued to receive positive feedback from Petrovietnam and MOIT on the applications for five-year extensions to the petroleum contracts for the TGT and CNV fields.

Vietnam Exploration in 2023

Blocks 125 & 126

On Blocks 125 & 126, a two-year PSC extension was granted by MOIT on 13 June 2023, extending the first exploration period of the PSC to 8 November 2025. This approval shows the encouraging level of support from the Vietnamese Government and discussions with a number of interested parties to secure a farm-in partner are progressing.

An independent CPR for Block 125 was published on 20 July 2023, confirming a range of gross unrisked prospective oil resources of between 1,178 MMstb (1U) and 29,785 MMstb (3U) with a Mean value of 13,328 MMstb. The report supports the Group's internal assessments and paves the way for further work to develop new leads and mature leads to prospects.

The ongoing interpretation of 3D seismic data has highlighted greater prospectivity in the deeper water section of Block 125. In order to drill one of these deeper water prospects as the commitment exploration well under the current exploration phase of the PSC, a Drillship or Dynamically-Positioned (DP) Semi-Submersible Rig is needed.

2024 Work Programme

TGT & CNV Fields

- Vietnam production guidance for 2024 is 3,900 – 5,000 boepd net.
- Planning is well-advanced for a two-well TGT drilling programme in 2H 2024.
- Continued engagement with partners and regulators to finalise the five-year licence extensions for TGT and CNV.

Blocks 125 & 126

- Ongoing discussions with another operator to secure a well drilling slot during their multi-well drilling programme in the region.
- Progressing parallel discussions with several potential farm-in partners for Blocks 125 & 126. Securing a rig slot will positively impact the farm-out discussions.

OPERATIONAL REVIEW - continued

Group Reserves and Contingent Resources

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

Group Reserves Statistics

Net working interest, mmboe	TGT	CNV	Vietnam[3]	El Fayum	NBS	Egypt[4]	Group
Oil and Gas 2P Commercial Reserves[1,2]							
As at 1 January 2023	8.8	3.4	12.2	15.0	-	15.0	27.2
Production	(1.3)	(0.5)	(1.8)	(0.5)	-	(0.5)	(2.3)
Revision	(1.2)	(0.1)	(1.3)	(0.9)	-	(0.9)	(2.2)
Discoveries	-	-	-	-	0.8	0.8	0.8
2P Commercial Reserves as at 31 December 2023	**6.3**	**2.8**	**9.1**	**13.6**	**0.8**	**14.4**	**23.5**
Oil and Gas 2C Contingent Resources[1,2]							
As at 1 January 2023	7.4	3.4	10.8	8.9	-	8.9	19.7
Revision	(1.1)	2.2	1.1	0.7	-	0.7	1.8
2C Contingent Resources as at 31 December 2023	**6.3**	**5.6**	**11.9**	**9.6**	**-**	**9.6**	**21.5**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2023	**12.6**	**8.4**	**21.0**	**23.2**	**0.8**	**24.0**	**45.0**

1) Reserves and Contingent Resources are categorised in line with 2018 SPE/WPC/AAPG/SPEE /SWLA Petroleum Resource Management System.
2) Assumes an oil equivalent conversion factor of 6,000 standard cubic feet per barrel of oil equivalent.
3) Reserves and Contingent Resources have been independently audited by RISC.
4) Reserves and Contingent Resources have been independently audited by McDaniel.

Vietnam Reserves and Contingent Resources

In accordance with the requirements of its RBL, the company commissioned RISC to provide an independent audit of gross (100% field) reserves and contingent resources for TGT and CNV as of 31 December 2023.

Vietnam Reserves Statistics

Net working interest, mmboe	TGT	CNV	Total Vietnam
Oil and Gas 2P Commercial Reserves[1,2,3]			
As at 1 January 2023	8.8	3.4	12.2
Production	(1.3)	(0.5)	(1.8)
Revision	(1.2)	(0.1)	(1.3)
2P Commercial Reserves as at 31 December 2023	**6.3**	**2.8**	**9.1**
Oil and Gas 2C Contingent Resources[1,2,3]			
As at 1 January 2023	7.4	3.4	10.8
Revision	(1.1)	2.2	1.1
2C Contingent Resources as at 31 December 2023	**6.3**	**5.6**	**11.9**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2023	**12.6**	**8.4**	**21.0**

1) Reserves and Contingent Resources are categorised in line with 2018 SPE/WPC/AAPG/SPEE /SWLA Petroleum Resource Management System.
2) Assumes oil equivalent conversion factor of 6,000 scf/boe.
3) Reserves and Contingent Resources have been independently audited by RISC.

On TGT, 2P reserves were revised downwards due to a 9-month delay in drilling of the two infill wells, lower expected benefit from well activities as the field becomes more mature and a slow production ramp-up following the annual maintenance shutdown in the last quarter of the year. 2C contingent resources were revised accordingly.

On CNV, the 2P reserves were largely in line with the previous year. 2C contingent resources were revised upwards due to the inclusion of one additional lateral side-track well.

In Vietnam, the Group has applied for an extension to the petroleum contracts for the TGT and CNV fields. We expect changes to the discovered resources upon receiving approval from the government.

Egypt Reserves and Contingent Resources

Egypt Reserves Statistics

Net working interest, mmboe	El Fayum	NBS	Egypt
Oil and Gas 2P Commercial Reserves[1,2]			
As at 1 January 2023	15.0	-	15.0
Production	(0.5)	-	(0.5)
Revision	(0.9)	-	(0.9)
Discoveries	-	0.8	0.8
2P Commercial Reserves as at 31 December 2023	**13.6**	**0.8**	**14.4**
Oil and Gas 2C Contingent Resources[1,2]			
As at 1 January 2023	8.9	-	8.9
Revision	0.7	-	0.7
2C Contingent Resources as at 31 December 2023	**9.6**	**-**	**9.6**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2023	**23.2**	**0.8**	**24.0**

1) Reserves and Contingent Resources are categorised in line with 2018 SPE/WPC/AAPG/SPEE /SWLA Petroleum Resource Management System.
2) Reserves and Contingent Resources have been independently audited by McDaniel.

On El Fayum, the delay in the execution of the field development plan have resulted in a downward revision of the 2P reserves, pushing some volumes into the contingent resources category.

North Beni Suef is included in the reserves assessment for the first time, following a successful exploration well and granting of the Development Lease. Initial reserves are granted based on a limited development of two producer wells offset to the discovery well. The full development programme will be incorporated following the interpretation of the new 3D seismic acquired during 2023.

Group’s Net Working Interest Reserves and Contingent Resources

TGT Field at 31 December 2023 (mmboe) (net to Group’s working interest)

Reserves[2]	1P	2P	3P
Oil	4.8	5.9	7.1
Gas[1]	0.2	0.4	0.6
Total	**5.0**	**6.3**	**7.7**

Contingent Resources[2]	1C	2C	3C
Oil	3.3	6.1	9.0
Gas[1]	0.1	0.2	0.4
Total	**3.4**	**6.3**	**9.4**

Sum of Reserves and Contingent Resources[3]	1P & 1C	2P & 2C	3P & 3C
Oil	8.1	12.0	16.1
Gas[1]	0.3	0.6	1.0
Total	8.4	12.6	17.1

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

OPERATIONAL REVIEW - continued

CNV Field at 31 December 2023 (mmboe) (net to Group's working interest)

Reserves[2]	1P	2P	3P
Oil	1.3	1.7	2.1
Gas[1]	0.8	1.1	1.3
Total	**2.1**	**2.8**	**3.4**

Contingent Resources[2]	1C	2C	3C
Oil	1.8	3.5	5.2
Gas[1]	1.1	2.1	3.2
Total	**2.9**	**5.6**	**8.4**

Sum of Reserves and Contingent Resources[3]	1P & 1C	2P & 2C	3P & 3C
Oil	3.1	5.2	7.3
Gas[1]	1.9	3.2	4.5
Total	**5.0**	**8.4**	**11.8**

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

El Fayum Concession at 31 December 2023 (mmboe) (net to Group's working interest)

Reserves[1]	1P	2P	3P
Oil	6.8	13.6	17.9

Contingent Resources[1]	1C	2C	3C
Oil	3.6	9.6	19.2

Sum of Reserves and Contingent Resources[2]	1P & 1C	2P & 2C	3P & 3C
Total	**10.4**	**23.2**	**37.1**

1) Reserves and Contingent Resources have been audited independently by McDaniel.
2) The summation of Reserves and Contingent Resources has been prepared by the Company.

North Beni Suef Concession at 31 December 2023 (mmboe) (net to Group's working interest)

Reserves[1]	1P	2P	3P
Oil	0.2	0.8	0.9

Contingent Resources[1]	1C	2C	3C
Oil	-	-	-

Sum of Reserves and Contingent Resources[2]	1P & 1C	2P & 2C	3P & 3C
Total	**0.2**	**0.8**	**0.9**

1) Reserves and Contingent Resources have been audited independently by McDaniel.
2) The summation of Reserves and Contingent Resources has been prepared by the Company.

SECTION 172(1) STATEMENT

S.172(1) Companies Act 2006

The duty under section 172(1) of the Companies Act 2006 is applied in addition to the other duties of a Director. Each Director must discharge these duties in accordance with the duty of care, skill and diligence both objectively and to a subjective standard.

In accordance with section 172(1) of the Companies Act 2006 ("s.172(1)"), the Directors of the Company have a statutory duty to promote the success of the Company. The Board of Pharos, as individuals and together, consider that they have acted in a way that would most likely promote the success of the Company, and deliver the goals and objectives for the benefit of its members as a whole in relation to all stakeholders who may be affected by or engaging with the Company's activities.

Board meetings and discussions

The Board has always taken into account its s.172(1) obligations during the year in line with current reporting requirements. Their key decisions have been specifically confirmed at each Board meeting to take into account these matters. This has been supplemented by the roles of the individual Directors giving due regard and consideration of each element of the s.172(1) requirements including:

a) The likely consequences of any decisions in the long-term;

b) The interests of the employees;

c) The requirements to foster business relationships with suppliers, customers, and others;

d) The impact on the community and environment of the Company's operations;

e) The desirability of the Company maintaining a reputation for high standards of business conduct; and

f) The need to act fairly as between members of the Company.

Illustration of how s.172(1) factors have been applied by the Board are set out below and can also be found throughout the Strategic Report of which this statement forms part.

a) The likely consequences of any decisions in the long-term

During its meetings and discussions, the Board considers decisions with keen regard to consequences in the long term for the business. For example, in November 2023, the Board held a Strategy Day to assess and evaluate our strategy to deliver long-term, sustainable value for all our stakeholders, and its implications on our decision-making process. This involved, amongst other things, presentations and other inputs from a number of key external parties, including shareholders, ESG experts and corporate advisers. At all regularly scheduled meetings and discussions of the Board and committees of the Board ('Board Committees'), several papers are presented to promote discussion and provide options for the Board to hold an informed and balanced debate.

For more information on how the Board consider decisions with regards to the long-term consequences for the business, in light of the principal risks to the Company and its business, see page 48 of the Risk Management Report. For more information on the Strategy Day, see page 17 of the Chair's Statement.

b) The interests of the employees

The interests of the Company's employees is a key element of the statutory duty under s.172(1). Throughout the year, we have continued to run a dedicated Monday weekly meeting to ensure all colleagues are regularly informed about important business developments in the Company and the Group. There are also regular team, departmental and asset meetings in smaller groups, allowing all staff a greater opportunity to share knowledge and debate issues. These forums also act as channels through which employees can ask questions and contribute to the strategy and function of the business. We have continued to make extensive use of video conferencing facilities during calls and remote meetings to maintain visibility and connection. We have also seen an increase in face-to-face meetings, which many of the team appreciate as a collaborative environment for the exchange of ideas, knowledge and advice. As noted in last year's report, the 2022 reorganisation of the Group instituted a flatter organisational structure, and this has resulted in shorter lines of management and more direct, accessible channels of communication with leadership.

SECTION 172(1) - continued

The Executive Directors receive regular updates on colleague engagement to understand any complaints or troubles from the hybrid work environment. At the beginning and end of each calendar year, every employee is encouraged to set their own personal and professional development objectives and appraisal for the upcoming year. Each employee has at least two meetings with their line manager during the year, to discuss and agree the objectives and to review progress mid-year. Line managers also provide additional support where needed and assist the employee in overcoming any difficulties they might be facing.

Following feedback received in previous years, in which events such as off-site away days and in-person monthly meetings were proposed to avoid staff isolation and promote team culture, the Company organised a Group-wide off-site event in June 2023, where colleagues from Egypt, Vietnam and UK all met in London to exchange ideas, provide feedback and engage in structured team-building activities. The event proved very successful, with the sharing of knowledge and practical experience having an immediate impact. The off-site event also resulted in a number of new staff-led initiatives, including a Group-wide quarterly video conference and a commitment to an annual Group-wide off-site event. The Board believes that these Group-wide events are important not only for the effective and efficient functioning of the Company and the business, but also for the development, advancement and wellbeing of the Group's global workforce.

Throughout the year, during all employee events, John Martin, as Chair of the Board and designated Non-Executive Director responsible for workforce engagement, made himself available to all employees and encouraged all staff members to share their concerns, feedback and views about the Company. Any feedback was then taken into account and communicated to the Board and Executive Directors as suggestions for improvements.

For more information on the Board's engagement with employees, see page 62 of the UK Corporate Governance Code.

c) The requirements to foster business relationships with suppliers, customers, and others

The Group's business relationships with suppliers, service providers and vendors are subject to regular review and consideration through vendor due diligence and active contracts management. Vendor due diligence is actively undertaken before a service provider of any size is engaged. Significant contracts, concessions and commitments are considered by the Executive Directors and the Board, or relevant Board Committee, supported by papers outlining impact and consequences of potential decisions. All significant contracts and the legal terms of other commitments are also thoroughly reviewed by the Group General Counsel and, if necessary, referred to specialist external counsel.

Our relationships with joint venture partners, host governments, regulatory authorities, shareholders and analysts are the foundation to support the success of our business. In January 2023, the Company held an analyst lunch to engage with media journalists and analysts to foster open and communicative relationships with key figures in the industry. In May 2023, the Executive Directors met the CEO of EGPC, the industry regulator and state oil company in Egypt, and met with both JOC partners and with MOIT, the regulator in Vietnam, to discuss the Revised Field Development Plans and licence extensions for TGT and CNV. Additionally, during the Strategy Day held in London in November 2023, the Board had presentations and inputs from a number of key parties, including shareholders, ESG experts and corporate advisers. In June 2023 and December 2023, the Executives participated in ad-hoc roadshows with our corporate brokers in order to engage with a wide group of existing shareholders and prospective investors.

We plan to continue to engage in a personal and meaningful way with our stakeholders, such as host governments, suppliers, joint venture partners, shareholders, and others in the future.

For more information on how the Company foster relationships with stakeholders, see page 21 of our CEO's Statement and page 106 of our UK Corporate Governance Code.

d) The impact on the community and environment of the Group's operations

The organisation has provided robust evidence of its commitment to ESG in the sector through its Corporate Responsibility Report, TCFD Report and ESG Committee Report. Pharos reports transparently on various Corporate Responsibility metrics such as lost time injuries, GHG emissions, energy consumption, waste produced and recycled, and freshwater usage in our Annual Reports. Over the past five years, the Company have participated in the CDP (Climate Disclosure Project) Climate Change Questionnaire and have maintained our score (C), which is also the industry average. The Company's water usage disclosure in the CDP Water Security Questionnaire also received a score of (C). As a Group, we continue to work to bring our disclosures in line with the requirements of the TCFD. In September 2022, the Company made a formal commitment to achieve Net Zero on all Scope 1 and 2 GHG emissions across all assets by no later than 2050. In December 2023 the Company published a Net Zero roadmap, researched and developed in close consultation with specialist advisors and consultants and including interim targets and asset-level decarbonisation levers towards 2050.

In addition to this, the Company remains committed to creating value in a sustainable manner for host countries and local communities as well as for staff. During the year we sought to align our social investment programme with the United Nations Sustainable Development Goals (UN SDGs). We worked closely with our local partners and joint ventures to ensure that our social initiatives continue to have a positive impact on the regions receiving the support and are relevant to the community. In 2023, a total of $247,373 was invested in 22 long-term community projects across all of our assets, and a further $500,000 was invested in ring-fenced funds for training to develop future talents in the industry in Egypt and Vietnam.

In addition, the Company announced the establishment of an Emissions Management Fund in September 2022, reflecting that, as non-operator, the Company has no direct control over the facilities associated with the Group's producing assets. From every barrel net to the Company sold at an oil price above US$75, this Fund is provided with US$0.25. In line with the Net Zero roadmap, this Fund is intended to provide financial support for emissions management projects that are otherwise not economically feasible. As at 31 December 2023 the value of the fund was c.US$400,000.

The Board regularly monitors the Group's business activities, financial positions, cash flows and liquidity, and operating environment through detailed forecasts. Scenarios and sensitivities are carefully researched and prepared by the Group's Business Intelligence Analyst and are regularly presented to the Board, including changes in commodity prices and in production levels from the existing assets, together with an assessment of other factors that could affect the Group's future performance and position. These factors include the impact on the community and environment of the Group's operations and any prospective project or investment decision.

For more information on the Board's commitment to ESG and considerations on the community and the environment, see pages 114 to 116 for the ESG Committee Report, pages 16 to 17 for the Chair's Statement, and pages 62 to 81 for the Corporate Responsibility Report.

For more information on Board oversight on business activities, financial position and the environment of the Group's operations, see page 48 of the Risk Management Report.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Group's Code of Business Conduct and Ethics and associated policies are reviewed and re-approved by the Board annually, and all policies and procedures have been followed rigorously in 2023. The Code of Business Conduct and Ethics is placed at forefront of our engagement with suppliers, vendors, partners, and public officials. It is a requirement for all Group employees and the Board to complete and successfully pass their Anti-Bribery and Corruption and Criminal Finance E-Learning modules every year to ensure that the expected standards of business conduct and the Company's values are communicated and recognised across the organisation. Our Whistleblowing Policy ensures that employees are protected from possible reprisals when raising concerns in good faith. In addition to internal reporting channels, we have a confidential ethics hotline supported by EthicsPoint with numbers displayed in our local offices available 24 hours a day all year round.

The Board recognises that 2023 has seen significant geopolitical instability, something that has impacted far reaching communities and families, the global economy, communities and trade. The Group continues to support colleagues and contractors during this difficult time, as well as ensuring that our business can continue to function unaffected. At an operational level, the Group continues to work with the JOCs on contingency planning and mitigation in the event that these conflicts, and any associated sanctions, have a direct impact on the Group's business.

The Board has an obligation and duty to ensure that the Company behaves responsibly. The Board delegates to the management team, including the Executive Directors, the day-to-day execution of the business in a responsible way. The Executive Directors communicate regularly and openly with the Board and the other members of the management team.

In connection with Board deliberation and decisions, each Board member brings individual judgement and considerable experience to decision-making and carefully assesses the course of action most likely to promote the success of the Company. In this context, reference is also made to the discussion in point a) above of the Board's consideration of the likely long-term consequences of any decision.

For more information on the Company's commitment to maintaining high standards of business conduct, see pages 48 to 53 for the Risk Management Report and page 66 of the Corporate Responsibility Report.

f) The need to act fairly as between members of the company.

We believe a workforce with a diversity of experience, nationalities, cultural backgrounds and gender supports our business strategy of long-term sustainable growth. It is crucial to the success of our business that we retain and develop the diversity of our workforce and have diversity and inclusion at the heart of our recruitment, development and promotion processes.

Our Code of Business Conduct and Ethics, associated policies and the Pharos Guiding Principles commit us to providing a workplace free of discrimination where all employees can fulfil their potential based on merit and ability. We remain respectful and accepting in our relationships with employees without discrimination or prejudice on grounds of age, disability, gender, marital status, sexual orientation, colour, race, religion or any other characteristic protected by applicable laws. They also commit us to providing a fully inclusive workplace, while providing the right development opportunities to ensure existing staff have rewarding careers.

During the year, recognising the importance of diversity, equity and inclusion in the workplace, and drawing on the feedback from our Group-wide offsite, the Company undertook an all-staff survey to encourage open and honest conversations around this topic within the organisation. Understandings gained from this survey provide the basis for future dialogues and workshops going forward.

For more information on our commitment to act fairly as between members of the company, see page 10 of the Investment Case, pages 62 to 81 of the Corporate Responsibility Report, or visit our website at www.pharos.energy/responsibility/policy-statements/ for our Code of Business Conducts and Ethics, Social Responsibility policy, and Human Rights statement.

SECTION 172(1) - continued

Conclusion

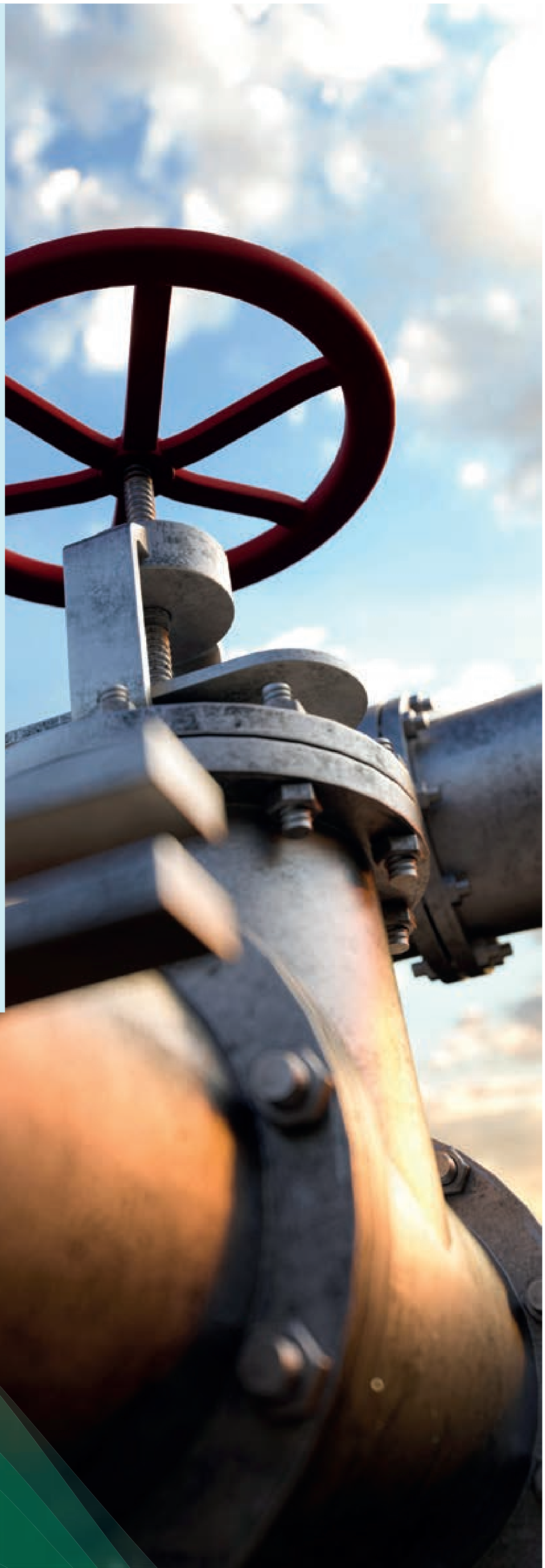
The Company is committed to good governance and will continue to review the balance and effectiveness of the Board with a view to maintaining the right skills, experience and diversity to align with the Group's strategic goals.

We will act and make decisions responsibly in the interests of the Company, our shareholders and other stakeholders, delivering our plan and working closely to consider the best opportunities for the Company. Detailed Board and Board Committee papers are carefully prepared and constructively debated to ensure all scenarios and options are fully considered in a timely and consistent fashion in meetings.

In accordance with s. 172(1), the Board has also continued to consult with, and take account of, the views of our investors, employees, partners, governments, suppliers and other stakeholders throughout the year.

Other stakeholder engagement initiatives during the year not mentioned above included but were not limited to:

- Agile and responsible response to continue the implementation of a flexible working model for UK staff, with the option but not the obligation to work primarily from home – protecting people, accommodating diverse working preference, cutting costs and deferring capex
- Open and active dialogue with its institutional, private and retail shareholders via website, X (formerly known as Twitter) and LinkedIn, email communications, and online meetings with Q&A to allow the wider public a free platform to put questions directly to the Executive Directors
- Regular liaison with proxy advisory and corporate governance services on responsible investment, ESG and the terms of shareholder resolutions
- A section of the agenda for each regularly scheduled meeting of the Board being dedicated to investor relations and stakeholder considerations
- Reports from corporate brokers and a financial PR firm on feedback from investors and research analysts



Financially strong

SUE RIVETT
Chief Financial Officer

I am pleased to report strong financial performance from our operations and a strengthening of our liquidity position, with net debt down 77% to $6.6m at the end of the year.

We have returned a 7% yield, or $8.4m, to shareholders in the form of dividends and share buybacks and invested $26.7m in our asset base, all while paying down $35m of debt. This is despite a backdrop of reduced commodity prices and delays in payment for our Egyptian sales. In Egypt, we generated $2.5m of free cash during the year from a combination of receipts from our sales, receipt of the contingent consideration and the carry from our prior year farm out to IPR.

Our finance strategy continues to support our commitment to building shareholder value through organic growth and sustainable returns to shareholders.

We are in a net cash position as of today and, as we move out of the carry period on our Egyptian concessions, we look forward to drawing down on our receivables balance with EGPC to support our ongoing operations and capital investment in El Fayum and our new 20-year development lease at North Beni Suef.

Today, I am delighted to confirm the receipt of $10m in USD of our outstanding receivables, which equates to 26.7% of the year end balance.

Operating performance

Revenues

Group revenues of $168.1m, prior to realised hedging loss of $0.2m (2022: $221.6m prior to realised hedging loss of $22.5m) were negatively impacted by a 17% decrease in realised commodity prices.

Revenues for Vietnam of $149.2m (2022: $184.8m) decreased year on year as a result of lower realised prices and a reduction in sales volumes due to timing of cargoes. The average realised crude oil price was $87.42/bbl (2022: $106.44/bbl), an 18% decrease year on year, and the premium to Brent was just under $7/bbl on average (2022: over $4/bbl). Production was lower at 5,127 boepd (2022: 5,418 boepd). In October 2023, the Company and its partners signed a three year sales contract for all TGT crude oil cargoes with BSR to cover the period 1 January 2024 to 7 December 2026. This agreement supports energy security in-country and eliminates export duty being paid on cargoes, plus enables the JOC to recover input VAT. The premium to Brent will continue to be agreed every six months, which provides the Group with significant downside price protection for production from our largest Vietnam field.

The revenue for Egypt of $18.9m (2022: $36.8m, which includes an additional $7m following the improvement in the fiscal terms with the Third Amendment to the El Fayum Concession, increasing cost recovery oil from 30% to 40% from November 2020) decreased largely due to lower average realised crude oil price, down 19% to $78.18/bbl (2022: $96.03/bbl). On an equivalent basis, 45% working interest for the full year and after excluding additional revenues from the Third Amendment, 2022 revenues were $24.0m. Production fell to 1,381 bopd (2022: 1,748 bopd, following the farm-down of 55% interest and transfer of operatorship of the Group's Egyptian assets to IPR completed on 21 March 2022). There are two discounts applied to the El Fayum crude production – a general Western Desert discount and one related specifically to El Fayum. Both are set by EGPC and combined stayed consistent at over $4/bbl for the year (2022: over $5/bbl).

CHIEF FINANCIAL OFFICER'S STATEMENT - continued

Hedging

For 2023, Pharos entered into zero cost collar hedges to protect the Brent component of forecast oil sales and to ensure future compliance with its obligations under the RBL over the producing assets in Vietnam and to provide downside protection to cash flows in the event of commodity price falling. The commodity hedges run until June 2025 and are settled monthly. Our hedging positions for the year resulted in a small $0.2m realised loss (2022: loss of $22.5m).

During 2023, 36% of the Group's total oil entitlement production was hedged, securing average floor and ceiling prices for the hedged volumes at $64.5/bbl and $100.8/bbl, respectively. The Group's RBL requires the Company to hedge at least 35% of Vietnam RBL production volumes and the current hedging programme meets this requirement through to December 2024, leaving 72% of Group production unhedged as at 31 December 2023.

Please see below a summary of hedges outstanding as at 31 December 2023, which are all zero cost collar.

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Production hedge per quarter – 000/bbls	120	120	150	120	60	60
Min. Average value of hedge - $/bbl	63.00	63.00	64.40	63.00	64.00	64.00
Max. Average value of hedge - $/bbl	91.50	87.88	88.66	89.00	90.00	90.00

Operating costs

Group cash operating costs, defined in the Non-IFRS measures section on page 190, were $37.3m (2022: $42.8m). Vietnam decreased by 9% from $31.7m to $28.8m in 2023, the equivalent of $15.39/bbl (2022: $16.03/bbl). The decrease is due to lower costs relating to the FPSO as a result of higher 3rd party production throughput from the TLJOC, which decreased the HLJOC's share of the costs (TLJOC had 23.2% cost share in 2023 compared to 14.5% in 2022). In addition, for 1H 2022, there was $3.2m of export duty paid on TGT oil cargoes, which in 2023, we were not required to pay due to the oil being sold into the local economy.

Cash operating costs in Egypt were $8.5m in 2023 (2022: $11.1m), which equates to $16.86/bbl (2022: $17.40/bbl). The 3% decrease in cash operating costs per barrel was mainly related to decreases in transportation and fuel costs per bbl together with decreases in the fixed costs due to the devaluation of EGP against the USD during the year. Cash operating costs from 1 January 2022 up to 20 March 2022 were 100% share and from 21 March 2022 included only the Group's remaining 45% share. On a 100% equivalent basis, the cash operating costs for 2023 were $19.2m (2022: $19.3m).

DD&A

Group DD&A associated with the producing assets increased marginally to $55.4m (2022: $55.1m) driven by a higher depreciating cost base following December 2022 impairment reversals taken on both Vietnam and Egypt, partially offset by the 9% decrease in production year on year and lower DD&A rates per barrel from July following the net impairment charges taken on Vietnam and Egypt assets in June 2023.

DD&A per bbl is currently $27.25/boe for Vietnam (2022: $25.79/boe). DD&A per bbl for Egypt is $8.73/boe for the full year production entitlement (2022: $6.43/boe).

Administrative expenses

Administrative expenses in 2023 of $9.0m (2022: $10.0m) were lower than prior year. After adjusting for the non-cash items under IFRS2 Share Based Payments of $0.9m (2022: $1.3m) and project costs associated with new commercial opportunities of $0.4m (2022: $nil), the underlying administrative expense is $7.7m (2022: $8.7m).

Operating (loss)/profit

Operating profit from continuing operations for the year was $47.3m (2022: $72.3m) excluding the net impairment charge of $65.4m (2022: $27.9m net impairment reversal), reflecting the combined impact of a lower commodity price environment throughout the year and a decrease in production volumes.

Other/restructuring expenses, loss on disposal and (loss)/gain on fair value movement of financial asset

Other/restructuring expenses for the year of $0.6m (2022: $0.8m) were due to changes in the best estimate of the adjustment relating to the interim period between the economic date of 1 July 2020 and the completion date of the disposal of 55% interest in the Egypt concessions. 2022 included restructuring costs for both the head office in London and the Egypt office in Cairo ($0.1m). In addition, for 2022, there was a $0.7m charge relating to the premium on the transfer of the lease on the London office.

Loss on disposal in 2022 of $6.6m is related to the farm-down transaction, where 55% of the Group's operated interest in each of our Egyptian Concessions, El Fayum and North Beni Suef, acquired by IPR on 21 March 2022.

Pharos is entitled to contingent consideration depending on the average Brent price each year from 2022 to the end of 2025 (with floor and cap at $62/bbl and c.$90/bbl respectively). The contingent consideration is calculated yearly and is capped at a maximum total payment of $20.0m (please refer to Note 20 and Note 37 for further details). From 2023, the variance of the contingent consideration is booked under (loss)/gain on fair value movement of financial asset.

The loss on fair value movement of financial assets for the year of $0.3m (2022: $0.3m gain) is due to $0.4m revision of the contingent consideration, partially offset by $0.1m reduction in contingent liability (assignment fee).

Finance costs

Finance costs decreased to $10.2m (2022: $12.7m), mainly related to a charge of $2.7m following a change in estimated future cash flows following the December 2023 RBL redetermination and amortisation of capitalised borrowing costs of $(1.4)m (2022: charge of $2.6m and amortisation of capitalised borrowing costs of $1.5m). There was interest expense payable and similar fees of $6.4m charged on the RBL and NBE (2022: $6.1m), unwinding of discount on Vietnam decommissioning provisions of $2.0m (2022: $1.3m) and foreign exchange losses of $0.5m (2022: $1.2m) primarily driven by devaluation of EGP against USD.

Cash operating cost per barrel*

	2023 $m	2022 $m
Cost of sales	**111.2**	116.8
Less		
Depreciation, depletion and amortisation	**(55.4)**	(55.1)
Production based taxes	**(10.5)**	(14.7)
Export duty	**-**	(3.2)
Inventories	**(4.0)**	1.8
Trade Receivable risk factor provision	**(2.2)**	(1.5)
Other cost of sales	**(1.8)**	(1.3)
Cash operating costs	**37.3**	42.8
Production (BOEPD)	**6,508**	7,166
Cash operating cost per BOE ($)	**15.70**	16.36

DD&A per barrel*

	2023 $m	2022 $m
Depreciation, depletion and amortisation	**55.4**	55.1
Production (BOEPD)	**6,508**	7,166
DD&A per BOE ($)	**23.32**	21.07

* Cash operating cost per barrel and DD&A per barrel are alternative performance measures. See page 190.

Cash operating cost per barrel by Segment

	Vietnam $m	Egypt Total $m	Total $m
Cost of sales	95.6	15.6	**111.2**
Less			
Depreciation, depletion and amortisation	(51.0)	(4.4)	**(55.4)**
Production based taxes	(10.4)	(0.1)	**(10.5)**
Inventories	(3.9)	(0.1)	**(4.0)**
Trade Receivable risk factor provision	-	(2.2)	**(2.2)**
Other cost of sales	(1.5)	(0.3)	**(1.8)**
Cash operating costs	28.8	8.5	**37.3**
Production (BOEPD)	5,127	1,381	**6,508**
Cash operating cost per BOE ($)	15.39	16.86	**15.70**

CHIEF FINANCIAL OFFICER'S STATEMENT - continued

DD&A per barrel by Segment

	Vietnam $m	Egypt $m	Total $m
Depreciation, depletion and amortisation	51.0	4.4	**55.4**
Production (BOEPD)	5,127	1,381	**6,508**
DD&A per BOE ($)	27.25	8.73	**23.32**

Movements in the Property, Plant and Equipment

	2023 $m	2022 $m
As at 1 January	**381.8**	399.8
Capital spend	**12.1**	23.2
Transfer from intangible assets	**2.9**	-
Revision in decommissioning assets	**(2.5)**	(13.9)
Recognition of right-of-use assets	**-**	0.8
DD&A – Oil and gas properties	**(55.4)**	(55.1)
DD&A – Other assets	**(0.2)**	(0.1)
Impairment (charge)/reversal – PP&E	**(58.9)**	27.1
As at 31 December	**279.8**	381.8
Property, Plant and Equipment	**279.3**	381.0
Right-of-use-Asset (IFRS 16 Impact)	**0.5**	0.8
As at 31 December	**279.8**	381.8

Taxation

The overall net tax charge of $19.8m (2022: $56.2m) relates to tax charges in Vietnam of $36.0m less the deferred tax credit on net impairment charges of $16.2m (2022: Vietnam tax charges of $47.9m plus the deferred tax charge on impairment reversal of $8.3m).

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

The Egypt concessions are subject to corporate income tax at the standard rate of 40.55%, however responsibility for payment of corporate income taxes falls upon EGPC on behalf of 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 tax paying position and no such tax has been recorded this year.

One of the Group's companies entered into commodity zero cost collars designated as cash flow hedges. In accordance with IAS 12, a deferred tax asset has not been recognised in relation to the hedging losses of $0.2m (2022: $22.5m) recorded in the year as it is unlikely that the UK tax group will generate sufficient taxable profit in the future, against which the deductible temporary differences can be utilised.

(Loss)/profit post-tax

The post-tax loss for the year of $48.8m (2022: $24.4m post-tax profit) included $53.8m of disposals, re-measurements and impairments (2022: $14.9m). Business performance post-tax profit for the year was $5.0m (2022: $39.3m).

Disposals, re-measurements and impairments are comprised of the following:

Financial Statements Impact:

	2023 $m	2022 $m	
Revenue	**(0.2)**	(22.5)	Realised hedging losses
Cost of sales	**(2.2)**	(1.5)	Trade receivable risk factor provision
Impairment (charge)/reversal – Intangible assets	**(6.5)**	0.8	
Impairment (charge)/reversal – Property, plant and equipment	**(58.9)**	27.1	
Other/restructuring expenses	**(0.6)**	(0.1)	Revision of carry with IPR. In 2022, Egypt restructuring and release of end of service provision
Loss on disposal	**-**	(6.6)	Egypt farm-out
(Loss)/gain on fair value movement of financial asset	**(0.3)**	0.3	Revision of contingent consideration in relation to Egypt farm-out
Finance costs	**(1.3)**	(4.1)	Adjustment and amortisation of capitalised borrowing costs
Income tax credit/(charge)	**16.2**	(8.3)	Deferred tax on impairment charge/(reversal)
Total	**(53.8)**	(14.9)	

Cash flow

Operating cash flow (before movements in working capital) was $103.8m (2022: $128.8m). After tax charges of $44.3m (2022: $54.7m), restructuring and exceptional expenses $nil (2022: $2.7m), working capital adjustments of $15.0m (2022: $18.1m) and interest received of $0.4m (2022: $0.1m), the cash generated from operations was $44.9m (2022: $53.4m).

Cash generated from operations, after tax charges, exceptional expenses and working capital movements, is the basis of our dividend framework.

Operating cash flow (before movements in working capital) adjusted for the impact of the hedging positions of $0.2m loss (2022: $22.5m loss) gives an underlying operational performance $104.0m (2022: $151.3m), which is consistent with the reduction in commodity prices and the production decrease year on year.

The increase in receivables was $19.1m (2022: increase in receivables of $7.7m). The movement in 2023 is primarily driven by $11.4m increase from Egypt, due to EGPC receivables. Since 2Q 2022, the Group has opted not to accept the payment of PEF's receivables balance in EGP unless required for operations, such as funding of ongoing expenditures upon expiry of the carry with IPR. PEF is entitled under contract to be paid for hydrocarbon sales in US dollars. The progressive devaluation of EGP against USD means that it is preferable to continue to hold USD denominated receivables.

In the space of two weeks, the Egyptian Government has: (i) announced a landmark agreement with ADQ (an Abu Dhabi sovereign wealth fund), whereby the latter will invest $35 billion for the development of the new coastal city of Ras El Hekma (the first $10 billion of which were immediately paid to Egypt); (ii) on 6 March 2024, raised all main interest rates by 600 basis points; signed a significantly expanded new loan from the IMF ($8 billion, including the original $3 billion secured in December 2022, which should facilitate additional $12 billion from other institutional lenders including the World Bank and the European Union); and let the Egyptian pound (EGP) fully float.

It is also widely expected that the flotation of the EGP will trigger an acceleration in the Egyptian Government's privatisation plan.

The Group is optimistic that its receivables position with EGPC will improve during 2024, through a combination of payments in USD and some EGP revenues or settlements, as needed, to fund our share of operational expenditure.

There was also an increase in Vietnam trade receivables of $7.4m (2022: decrease in receivables of $6.9m) due to three cargoes being lifted in December 2023. Payments for these cargoes were received in January 2024.

Capital expenditure on continuing operations for the year was lower at $26.7m (2022: $31.9m). On Block 16-1 – TGT Field, no new development wells were drilled in the year. During 2022, two development wells were drilled. On Block 9-2 – CNV Field, one development well, CNV-2PST1, completed in February 2023 and performed strongly, producing in excess of pre-drill estimates. In El Fayum, three wells were put on production and injection in 2023 and, on NBS, the first exploration commitment well, NBS-SW1X, was declared a commercial discovery and put on production in December 2023.

Net cash outflows from financing activities of $50.1m (2022: $19.8m outflow) included outflows in relation to the RBL of $22.4m in June 2023 and $12.6m in December 2023 (2022: $0.2m in June 2022 and $12.9m in December 2022) following the half year and year end redetermination processes. The amount drawn stood at $30.0m at year end.

The RBL facility, which is secured only over the Group's interest in the Vietnam producing assets, matures in July 2025. The facility amount is amortised by $14.2m, every redetermination, from 1 July 2022. The facility amount decreased to $43.0m from 1 January 2024 and will decrease further to $28.8m from 1 July 2024. The Group is able to dividend up from the Vietnam RBL zone to the Company twice a year in January and July following approval of the redetermination. The Debt Service Reserve Account (DSRA) was put in funds of $12.5m on the first business day of 2024 to service the principal repayment due in July 2024 plus interest.

There was no net outflow from NBE revolving credit facility (2022: $2.7m). This facility allows PEF to draw down 60% of the value of each El Fayum invoice in USD. The amount drawn under the NBE facility as at 31 December 2023 was $9.2m (2022: $9.2m).

Financing activities also included $2.8m outflow (2022: $2.9m) in relation to the $3m extension of the share buyback programme initiated in January 2023 and there was $5.6m outflow (2022: $nil) following payment of the final dividend for the 2022 financial year approved by shareholders at the AGM in May 2023.

Tax strategy and total tax contribution

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

This approach forms an integral part of the Group's sustainable business model.

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

During 2023, the total payments to governments for the Group amounted to $188.0m (2022: $245.3m), of which $166.5m or 89% (2022: $211.5m or 86%) was related to the Vietnam producing licence areas, of which $110.8m (2022: $140.7m) was for indirect taxes based on production entitlement. In Egypt, payments to government totalled $19.3m (2022: $31.3m), of which $18.4m (2022: $28.8m) related to indirect taxes based on production entitlement.

CHIEF FINANCIAL OFFICER'S STATEMENT - continued

Balance sheet

Intangible assets increased during the period to $18.2m (2022: $16.5m). Additions for the year related to Blocks 125 & 126 in Vietnam $3.1m (2022: $3.1m), Egypt $8.0m (2022: $1.0m) and $nil (2022: $0.2m) for the Israeli bid round licence fee. The first exploration well on NBS (NBS-SW1X) was declared a commercial discovery in December 2023 and exploration costs of $2.9m (2022: $nil) relating to the development lease were transferred to property, plant and equipment. There were total Exploration and evaluation expenditure impairment charges of $6.5m in the year (2022: $0.2m).

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

Impairment (charges)/reversals

As a result of previously recognised impairment losses, combined with the ongoing oil price volatility, economic uncertainty leading to high inflation globally and discount rates, and movements in 2P reserves, we have tested each of our oil and gas producing properties for impairment. The results of these impairment tests are summarised below. For each producing property, the recoverable amount has been determined using the value in use method. The recoverable amount is calculated using a discounted cash flow valuation of the 2P production profile.

Summary of Impairments - Oil and Gas properties

	TGT $m	CNV $m	El Fayum $m	NBS $m	Total $m
2023					
Pre-tax impairment (charge)/credit	(46.3)	0.3	(11.0)	(1.9)	(58.9)
Deferred tax credit/(charge)	16.5	(0.3)	–	–	16.2
Post-tax impairment charge	**(29.8)**	**–**	**(11.0)**	**(1.9)**	**(42.7)**
Reconciliation of carrying amount:					
As at 1 January 2023	242.4	76.4	62.5	–	381.3
Additions	1.3	3.0	7.6	–	11.9
Transfer from intangible assets	–	–	–	2.9	2.9
Changes in decommissioning asset[1]	–	(2.5)	–	–	(2.5)
DD&A	(38.8)	(12.2)	(4.4)	–	(55.4)
Impairment (charge)/reversal	(46.3)	0.3	(11.0)	(1.9)	(58.9)
As at 31 December 2023	**158.6**	**65.0**	**54.7**	**1.0**	**279.3**

	TGT $m	CNV $m	El Fayum $m	NBS $m	Total $m
2022					
Pre-tax impairment reversal	19.7	3.6	3.8	–	27.1
Deferred tax charge	(6.9)	(1.4)	–	–	(8.3)
Post-tax impairment reversal	**12.8**	**2.2**	**3.8**	**–**	**18.8**
Reconciliation of carrying amount:					
As at 1 January 2022	266.0	84.2	49.2	–	399.4
Additions	7.0	3.2	13.6	–	23.8
Changes in decommissioning asset[1]	(11.1)	(2.8)	–	–	(13.9)
DD&A	(39.2)	(11.8)	(4.1)	–	(55.1)
Impairment reversal	19.7	3.6	3.8	–	27.1
As at 31 December 2022	**242.4**	**76.4**	**62.5**	**–**	**381.3**

1) Changes in decommissioning asset for TGT is due to a change in discount rate only, whereas CNV reflects the change in field abandonment plan and discount rate (2022: change in discount rate and the field abandonment plan for TGT; change in discount rate only for CNV)

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

Oil inventory was $3.3m at 31 December 2023 (2022: $7.2m), of which $3.1m related to Vietnam and $0.2m to Egypt. Trade and other receivables increased to $62.3m (2022: $60.9m) of which $19.0m (2022: $11.4m) relates to Vietnam and $42.7m (2022: $49.0m) relates to Egypt. For Egypt, the closing balance includes $4.9m of carry (2022: $20.9m), which reflects the remaining disproportionate funding contribution from IPR to compensate for net cash flows since the economic date of the farm down transaction, 1 July 2020, and the completion date of 21 March 2022. The carry decreases every month by the cash calls received from IPR. In addition, Egypt trade receivables include $33.4m from EGPC, after expected credit loss provision of $4.0m recognised under IFRS 9, where collection has been delayed by the devaluation of EGP and ongoing restrictions on outgoing USD transfers by the Central Bank of Egypt previously highlighted (2022: trade receivable from Egypt $22.4m after risk factor provision of $1.8m).

Cash and cash equivalents at the end of the year were $32.6m (2022: $45.3m) and the decrease was mainly driven by $35.0m net repayment of borrowings (2022: $10.4m) and cash flows from operating activities of $45.3m (2022: $53.4m) as a result of reduced commodity prices during the year and lower production.

Trade and other payables were marginally higher at $14.2m (2022: $14.0m), of which $7.9m (2022: $6.6m) relates to Egypt net JV payables in relation to operations and Stratton royalty obligation. $2.2m (2022: $4.8m) relates to Vietnam payables, $nil (2022: $0.5m) net hedging liability and $4.1m (2022: $1.9m) Head Office payables, inclusive of $1.7m interim dividend paid in January 2024. Tax payables increased to $5.8m (2022: $5.2m) which is linked to the timing of cargoes from TGT.

Borrowings were $40.5m (2022: $74.2m), a decrease of $33.7m with $35.0m related to repayments following the RBL redeterminations in June and December, partially offset by $1.3m amortisation of capitalised borrowing costs and one-off charges in relation to the redeterminations. The movement on the NBE revolving credit facility was $nil for the year, so the balance on the facility as at 31 December 2023 remained consistent at $9.2m (2022: $9.2m).

Long-term provisions comprise the Group's decommissioning obligations for the Vietnam fields. The decommissioning provision decreased from $54.3m at 2022 year end to $53.8m at 31 December 2023 mainly due to a lower CNV obligation following finalisation of the revised abandonment plan in April 2023 and an increase in discount rate from 3.83% to 3.87% as a result of an increase in prevailing risk-free market rates. The amounts set aside into the abandonment funds total $53.7m (2022: $50.2m). No decommissioning obligation exists under the El Fayum Concession.

Own shares

The Pharos Employee Benefit Trust holds ordinary shares of the Company for the purposes of satisfying long-term incentive awards for senior management. At the end of 2023, the trust held 2,126,857 (2022: 2,126,857), representing 0.49% (2022: 0.48%) of the issued share capital.

In addition, as at 31 December 2023, the Company held 9,122,268 (2022: 9,122,268) treasury shares, representing 2.11% (2022: 2.06%) of the issued share capital. All shares purchased under the on-market buyback programme originally announced in July 2022 and extended in January 2023 and December 2023 have been or will be cancelled rather than retained in treasury.

Share buyback and dividend framework

Following a period of improved commodity prices and a strengthening of the Group's liquidity position, the Company committed to shareholder returns in the form of share buybacks and dividends. The Company announced the continuation of a further $3m share buyback programme in January 2023 (the First Programme Extension), of which $2.8m had been incurred by the end of December 2023. On 6 December 2023, the Company announced that it intended to continue the share buyback programme in 2024 through its commitment of a further $3m (excluding stamp duty and expenses). This further extension of the programme commenced following completion of the First Programme Extension in early 2024.

In September 2022, we announced a clear sustainable policy for the recommencement of regular dividend payments. This policy is to return no less than 10% of OCF each year in two tranches

- An interim dividend of 33% of the previous year's total dividend, payable in January of the following year; and
- A final dividend payable in July of the following year.

A final dividend of 1.00 pence per share, $5.6m equivalent, was recommended by the Board in respect of the year ended 31 December 2022. This was approved by shareholders at the Company's 2023 AGM in May and paid in full on 12 July 2023 to shareholders on the register at the close of business on 16 June 2023. No interim dividend was paid in respect of the year ended 31 December 2022. On 6 December 2023, an interim dividend of 0.33 pence per share, $1.7m equivalent, was declared by the Board in respect of the year ended 31 December 2023 and paid on 24 January 2024 to shareholders on the register at the close of business on 22 December 2023.

The Board have recommended a final dividend in respect of the year ended 31 December 2023 of 0.77 pence per share subject to approval of the shareholders at the Company's 2024 AGM. Subject to this approval, the final dividend will be paid in full on 19 July 2024 in Pounds Sterling to ordinary shareholders on the register at the close of business on 14 June 2024, with an ex-dividend date of 13 June 2024. This would take the 2023 full year dividend to 1.10 pence per share, an increase of 10% on the prior year.

CHIEF FINANCIAL OFFICER'S STATEMENT - continued

Going concern

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

A base case forecast has been considered that utilises oil prices of $81.5/bbl in 2024 and $79/bbl in 2025. The key assumptions and related sensitivities include a "Reasonable Worst Case" (RWC) scenario, where the Board has taken into account the risk of an oil price crash broadly similar to what occurred in 2020. It assumes the Brent oil price down by a third to $54.3/bbl in April 2024 and gradually recovers to base price in next 12 months, concurrent with 5% reductions in Vietnam and Egypt production compared to our base case from April 2024. Both the base case and RWC take into account effect of hedging that has already been put in place at 31 December 2023 and subsequent hedges placed in 2024, now covering 28% for the full year 2024 and 12% of 1H 2025. We have therefore secured an average floor price and ceiling price of c. $63.5/bbl and c. $89/bbl, respectively, for the entire hedged volumes. Under the RWC scenario, we have identified appropriate mitigating actions, which could look to defer uncommitted expenditure as required.

In addition, we have conducted a reverse stress test sensitivity analysis that indicates the magnitude of oil price decline required to breach our financial headroom, assuming all other variables remain unchanged.

Our business in Vietnam remains robust, with a low breakeven oil price. In TGT we have 2 wells planned to be drilled in 2H 2024. The majority of our debt ($30m as of 31 December 2023) is secured against the Vietnam producing assets under the RBL, which will be repaid by July 2025.

In Egypt, we have limited capital expenditure, low cost recompletions and waterflood in El-Fayum and development drilling in NBS in 2H 2024. As of 31 December 2023 $9.2m drawn on an uncommitted revolving credit facility on the Egypt revenue invoices.

On the basis of the forecasts provided above, the Group is expected to have sufficient financial headroom for the 12 months from the date of approval of the 2023 Financial Statements. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations in the foreseeable future. Therefore, the Financial Statements have been prepared using the going concern basis of accounting.

Financial outlook

We have a great deal to look forward to as we move forward in 2024 and beyond.

- A strong and stable balance sheet, improved liquidity, improved fiscal terms in Egypt, stable production with a solid USD cash flow from our Vietnam portfolio and a reduced cost base throughout the Group
- Continued development drilling across our portfolio
- Reducing debt and getting to a net cash position early in the year
- Significantly improving economic situation in Egypt, which could start to unlock our receivables position there

Further returns to shareholders are expected in 2024, with the announcement in January of an additional $3m committed to an extension of the Company's ongoing share buyback programme, and a 10% increase in full year dividends subject to approval of the final dividend at the 2024 AGM.

SUE RIVETT
Chief Financial Officer

Risk Management Report

Effective risk management is integral to Pharos achieving its corporate strategy to deliver sustainable value for all stakeholders through the responsible management of our current portfolio and the careful selection of growth opportunities, while protecting our personnel, assets, the communities in which we operate, and our corporate reputation and values.

Risk Management Framework at Pharos

Pharos carried out regular and robust risk assessments to identify and manage its Principal and Emerging risks during 2023 and continues to monitor closely the Egyptian economic situation and the global macroeconomic environment. The Group's risk management activities during the year focused on the Egyptian economy, commodity price uncertainty, and volatility in production levels and reserves.

Our management undertook a number of deep-dive exercises to gauge its risk appetite and recalibrate its risk tolerance to ensure the appropriate mitigating actions were implemented. The Board has closely considered the potential impact and probability of these risks and related events on its corporate strategy, objectives and stakeholders' perspectives of the Group.

Control environment

The Group's control environment is based primarily on its Code of Business Conduct and Ethics and associated guidance for implementation. The Code and associated guidance enshrines a number of fundamental values to the Group and its business, including openness and integrity, safety and care and respect for human rights. The control environment is also supported by a series of corporate policies, which form part of the Group's Business Management System (BMS).

These documents are distributed to all employees, followed up with training as required and are available on the Pharos' internal intranet system. As part of the compliance programme, all employees have to undertake and successfully complete a training assessment at least once a year covering anti-bribery and corruption laws and procedures and other financial crimes.

Governance, authorities and accountability

The Board of Directors, supported by its various Committees, ensures that the internal control functions operate properly. The Audit and Risk Committee oversees the implementation by the senior management team of the internal control and risk management procedures based on the risks identified to support the Group's objectives.

MANAGING OUR RISKS

Principal risks in 2023

1. Inability to repatriate cash earned from Egypt
2. Further devaluation of the Egyptian pound
3. Legal risks – Sanctions related (prolonged war in Ukraine)
4. Climate Change
5. Commodity Price volatility
6. Volatility in Production levels
7. Reserves downgrades
8. Risk of rising inflation and stagflation
9. HSE & Social
10. Partner alignment
11. Sub-optimal capital allocation
12. Political and Regional
13. Cyber security
14. Insufficient funds to meet commitments

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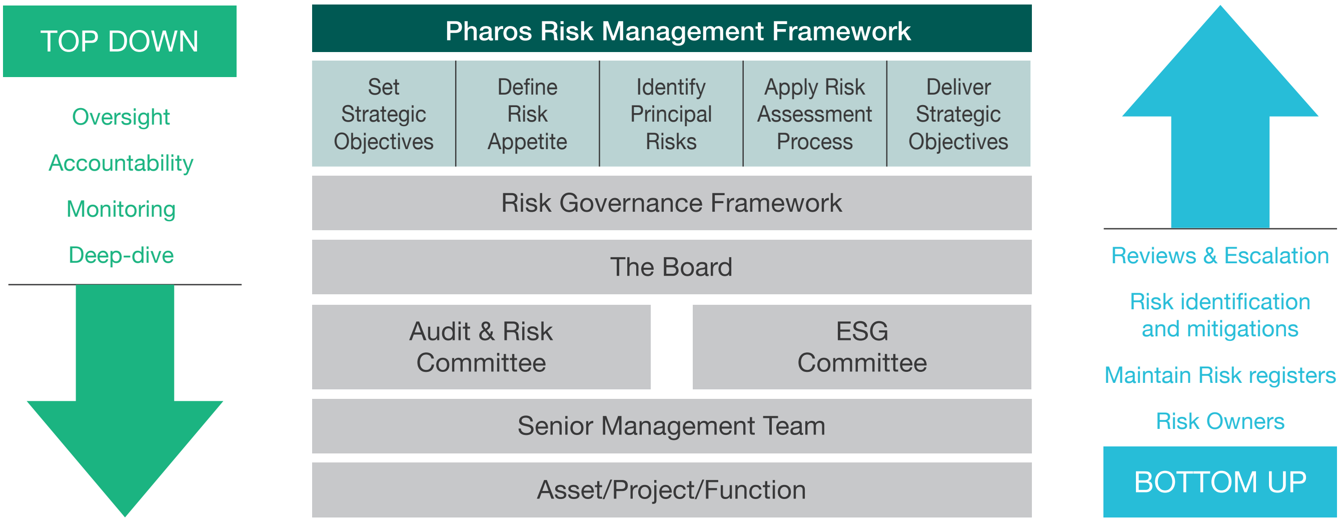
RISK MANAGEMENT - continued

Risk Management Framework



The Pharos Risk Management Framework requires that all business units within the Group conduct on-going risk management and report to the Audit and Risk Committee and the Board. The Group's Risk Management Policy defines the specifics of the risk management process, describes the risk tools (for example, the preparation and maintenance of a Group risk matrix and risk register) and outlines the reporting process and responsibilities in order to meet the Group's Risk Governance Framework.

Risk management and reporting is a necessary and important activity at Pharos. It is an internal control process implemented by the Board, management and all other personnel; applied throughout the organisation and all functions, designed to identify potential events which may affect the business, and manage those risks within its risk appetite. In addition, risk management is a process that provides reasonable assurance regarding the achievement of the Group's objectives. A comprehensive risk management approach allows Pharos to:

- Assist the Group in achieving its corporate objectives and develop alternate strategies
- Better manage the business by anticipating potential risks and devise preventive / mitigating measures
- Meet regulatory requirements
- Promote sustainability and help build more resilient systems

The Group's Business Management System evolves continually at Pharos but at its core comprises a set of policies and standards, including the Risk Management Policy based on ISO 31000 Risk Management Principles and Guidelines.

The BMS is supported by procedures and processes for each function and business unit to control day-to-day business activities. The internal control framework and risk management process under the BMS seeks to ensure that risk identification, assessment and mitigation are all properly embedded throughout the organisation. Whilst the Group's approach to risk management is designed to provide a reasonable assurance that material financial irregularities and control weaknesses can be detected, the process does not totally eliminate that a risk could have a material adverse effect on our operations, earnings, liquidity and financial outlook.

Risk is often described as an event, change of circumstances or a consequence. The Group's risk reporting will focus on identifying risk as a "potential event". Each event will be assessed on its potential impact to people, the environment, the respective asset / financial impact on operations, and the Group's reputation in terms of severity and likelihood.

An unsettled world challenging the future - The war in Ukraine and conflict in the Middle East

Repercussions of the Russian invasion of Ukraine and ensuing sanctions continue to reverberate globally and test the resilience of the international financial system and rules.

The recent escalation of conflict in the Middle East, following the surprise attacks on 7 October 2023 by Islamist militants in southern Israel and the Israeli military response to those attacks in Gaza and elsewhere has increased uncertainty and volatility on world commodity markets. The escalation has already had a negative impact on Egyptian tourism, and a prolonged conflict or expansion of the geographical and/or military scope of conflict is likely to intensify that impact. It could also result in a severe curtailment of Suez Canal revenues and a reduction in the import of Israeli gas. The potential involvement in the conflict of actors and groups based outside Israel and Gaza adds complexity, the risk of wider contagion and the likelihood of a more profound effect on the regional economy.

Serious impacts on the Egyptian economy

Following a first slowdown in 2020 and 2021, driven by the Covid-19 pandemic, growth of the Egyptian economy was picking up significant pace in late 2021 / early 2022, before being hit by the repercussions of the Russian-Ukraine war.

Egypt has faced economic and financial difficulties causing:

- An inability to receive cash revenues in USD in order to repatriate to the UK
- An inability to convert EGP to USD
- A further devaluation of the Egyptian pound

From mid-February to early March 2024, the Egyptian Government (i) has announced a landmark agreement with ADQ (an Abu Dhabi sovereign wealth fund), whereby this latter will invest $35 billion for the development of the new coastal city of Ras El Hekma (the first $10 billion of which were immediately paid to Egypt); (ii) signed funding with different institutional lenders including (a) a significantly expanded new loan with the International Monetary Fund (IMF) ($8 billion, including the original $3 billion secured in December 2022); (b) $8 billion package of loans, grants and investments from the European Union; and (c) $6 billion from the World Bank, over the next three years; and (iii) let the Egyptian pound (EGP) with an immediate devaluation from c.31 to c.49 EGP per USD (later strengthened to c 46.5), which forthwith eradicated the parallel foreign exchange (FX) market.

Pharos considers it preferable to continue holding USD-denominated receivables and accept part-payments of its receivables balance in EGP only when local currency will be needed for the funding of the Group's working interest share of the cost of operations at the end of the IPR carry period, expected to occur in the first half of 2024.

In the event of continued delays in the payment of its invoices, the Company has access to its Revolving Credit Facility with the National Bank of Egypt (UK) (NBE), which allows it to draw down 60% of the value of each invoice in USD. The NBE $18m facility has been extended on the same terms to 30 May 2025.

The conflicts in Ukraine, the Middle East and international sanctions

The extensive sanctions and export controls introduced by the US, EU and UK on key Russian and Russia-connected industries, entities and individuals following the invasion of Ukraine on the 24 February 2022 remain an important consideration for the Group and its approach to risk management.

Throughout 2022 and 2023, and continuing into 2024, the scope of international sanctions and controls related to the Russian invasion has continued to expand. To date, neither the conflict in Ukraine nor the sanctions themselves have had a material impact on the Group's business. Despite this, the Group continues to be prepared to act swiftly in the event that an existing counterparty were to become a sanctioned entity or otherwise affected. The dedicated cross-functional Pharos working group covering sanctions and the impact of the conflict in Ukraine established in March 2022 remains active. The working group reports to the Audit and Risk Committee and also contributes to regular risk management reporting. The Group Sanctions Policy, originally adopted in May 2022, was updated and renewed in 2023. The Policy is available on the Pharos website with the Group's other principal corporate policies. At an operational level, the Group continues to work with the JOCs on contingency planning and mitigation.

As noted above, the escalation of conflict in the Middle East since the attacks in southern Israel on 7 October 2023 has materially increased regional political and economic instability. The Group considers it is very unlikely that the US or UK will introduce sanctions against Israel or Israeli state actors for recent actions in Gaza, but continues to monitor the situation and, in particular, diplomatic efforts aimed at a longer-term ceasefire. The Group is also monitoring carefully the wider geopolitical impact and perception of the conflict in Egypt, in connection with its assets and operations.

Climate Change risks

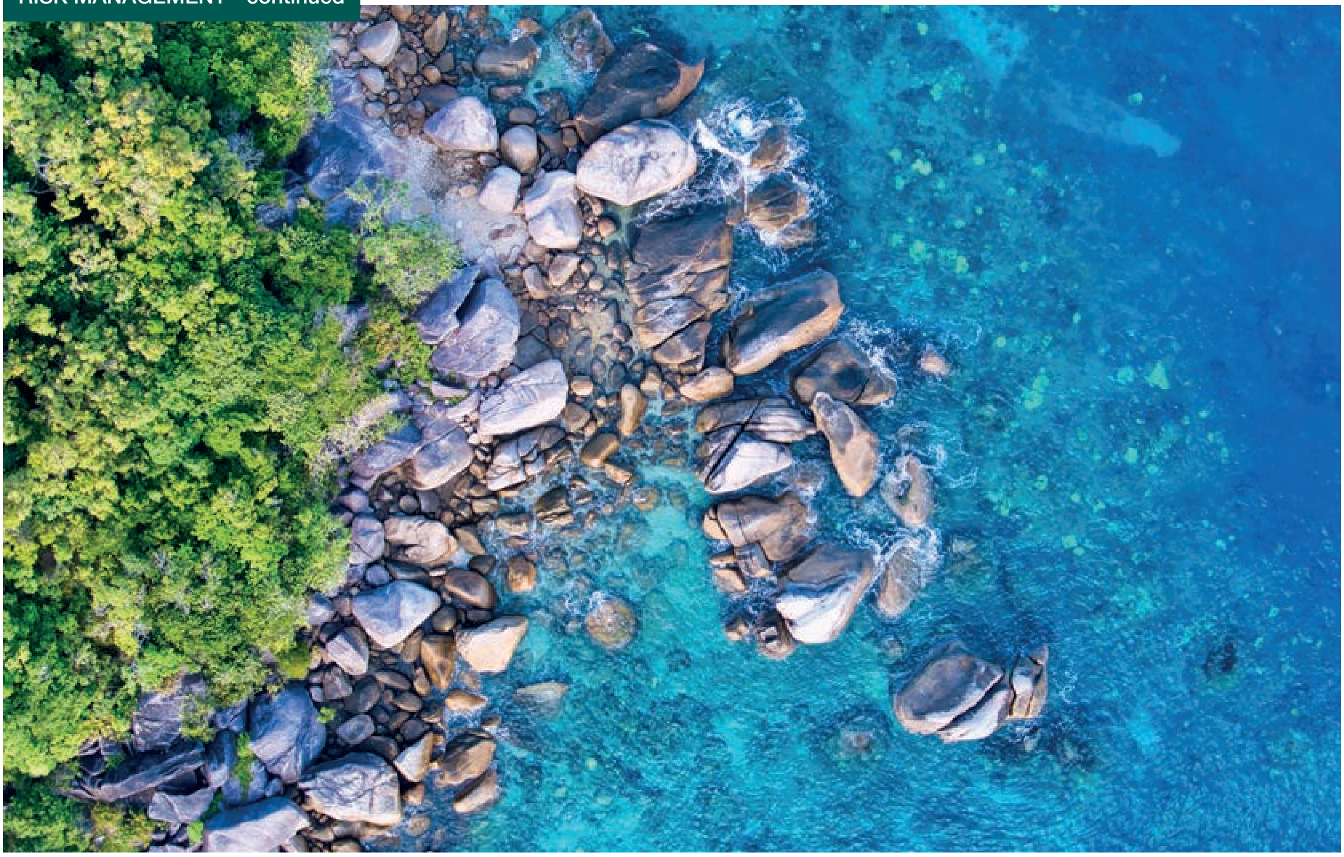
The 28th Conference of the Parties (COP28) to the UN Framework Convention on Climate Change in Dubai, United Arab Emirates, ended on 13 December 2023. The conference operationalised the Loss and Damage Fund, which was established by COP27 in 2022. It also concluded the first global stocktake of climate action under the Paris Agreement and adopted a decision calling for accelerated short-term action and an orderly transition away from fossil fuels towards climate-neutral energy systems – the first-ever COP decision to address fossil fuels.

COP28 saw a landmark agreement to support vulnerable nations facing the worst of climate change's impacts under the Loss and Damage Fund. These can include: "the development of national response plans; addressing insufficient climate information and data, and promoting equitable, safe and dignified human mobility in the form of displacement, relocation, and migration, in cases of temporary and permanent loss and damage". A geographically diverse board will be established, and the fund will be initially managed by the World Bank. The first pledges from wealthy nations were made in Dubai to support the fund and currently total over $650 million.

The global stocktake is a two-year process to review progress on mitigation, adaptation and climate finance, and outline the way forward. The parties recognise that, by 2030, global greenhouse gas (GHG) emissions must be reduced by 43% below 1990 levels to limit global warming to 1.5 °C, and commit to accelerating action in this critical decade. Parties are called upon to contribute to tripling global renewable energy capacity and doubling the global rate of energy efficiency improvements by 2030. They must accelerate efforts towards net zero emission energy systems and towards the phasedown of unabated coal power.

A historic result of COP28 was the adoption of a fossil fuel phase-out agreement, which commits the parties to transition away from fossil fuels in energy systems, in a just, orderly, and equitable manner, so as to achieve net-zero emissions by 2050. The COP28 decision also highlights the importance of protecting and restoring nature and ecosystems and enhancing efforts to halt and reverse deforestation by 2030, and invites parties to preserve and restore oceans and coastal ecosystems.

RISK MANAGEMENT - continued



Climate Risk and Resilience

Climate change risks, both arising from energy transition and the physical effects of changes in climate, are identified and assessed as part of the Group's integrated risk management approach and mitigated within the remit of a diverging set of key stakeholders' aspirations and calibrated within the Group's risk appetite and corporate strategy. Climate change and the transition to a low carbon economy were also considered in preparing the Consolidated Financial Statements, more details of which can be found on page 60 of our Viability Statement and Note 4 of the Financial Statements.

Pharos continue to aim to align our disclosure with the TCFD recommendations on Governance, Strategy, Risk Management and Metrics and Targets.

A detailed analysis was commissioned with the help of a TCFD specialist consultancy which produced in-depth assessments of the transition and physical climate risks followed by a hi-grading risk exercise based on the Group internal risk matrix. These assessments were then discussed with the Senior Management team and submitted to the ESG committee of the Board. Throughout the year, climate risks, along with other principal and emerging risks presented on pages 54 to 59 of the Risk Management Report, are discussed and reviewed by the Audit and Risk Committee every quarter to ensure they are up to date and remain dynamic to the changing nature of the macroeconomic environment and the business.

For a full list of our transitional and physical climate risks, please see pages 88 to 95.

The physical risk assessment focused on screening our operational interests in Vietnam and Egypt using the consultant's physical risks datasets to quantify changes in key climate variables (e.g. drought, rainfall, wave height) over a 5 and 10 year timeframe under the three emissions scenarios – Shared Socio-economic Pathways (SSPs). The transitional risk analysis focused on the potential impacts of different future scenarios on the key transition risks facing the Group and the oil and gas sector over the next 5 to 10 years. By undertaking these assessments, Pharos is in a better position to formulate strategies which will increase its resilience to climate related risks – and better cope with the uncertainty, speed and extent of the energy transition. The transition risk analysis conducted by the TCFD specialist consultant was assessed under the International Energy Agency (IEA) Sustainable Development Scenario (SDS) and Stated Policies Scenario (STEPS). Additionally, Pharos has considered the risk that climate change pressures could reduce oil prices during the three-year Viability Statement window under the recommended IEA's Net Zero Emissions scenario. For more information, please see pages 60 to 61 for the Viability Statement and page 83 for our TCFD disclosures.

Commodity Price risk

Oil markets in 2023 witnessed more stable pricing environment compared to the volatility experienced in 2022. However, oil prices declined towards the end of the year despite the escalating conflict in the Middle East, as non-OPEC+ supply strengthened, coinciding with slowing global oil demand growth.

Carbon Tracker, a London-based not-for-profit think tank researching the impact of climate change on financial markets, warned oil producers they should not let high prices today lure investments into pricey new projects that will lose money when the fever breaks and the energy transition cripples fossil fuel demand over coming years.

Commodity price uncertainty persists and is factored into all stages of the planning process. Please refer to the Viability Statement on page 60 for more details of how the Group has stress tested its assets and projected cash flows against its principal risks.

Insurance costs

Energy insurance premiums for the 2023 renewal of the Group's cover increased broadly in line with inflation, as was the case with the 2022 renewal. In some areas, the cost of the Group's insurance premiums in 2023, particularly corporate cover, actually reduced in real terms. As noted in last year's report, the energy insurance markets are increasingly difficult to access for oil and gas exploration and production businesses. Climate change risks and broader ESG objectives remain at the forefront of insurers' attitudes to oil and gas assets, with prominent insurers already taking steps to rebalance their portfolios. However, there is still capacity in the market, with evidence of new entrants replacing those withdrawing from oil and gas. In last year's Risk Management Report it was noted that the major reinsurer Munich Re, previously an underwriter of the Group's oil and gas package policy, had announced in October 2022 a major reduction in its cover for oil and gas assets and projects. However, a number of the oil and gas underwriting team migrated to another Lloyd's Syndicate member, Probitas 1492, who took the place of Munich Re as lead underwriter for the Group's business interruption insurance renewal in 2023.

Nonetheless, the Group believes that in the longer term the trend of oil and gas businesses suffering reduced access to the insurance market will continue. This can be expected to result in significant premium increases ahead of inflation over time. While the Group may be able to mitigate the impact of premium increases by agreeing to more restrictive terms of cover or reduced financial cover limits, this strategy will inevitably result in increased exposure to risk elsewhere.

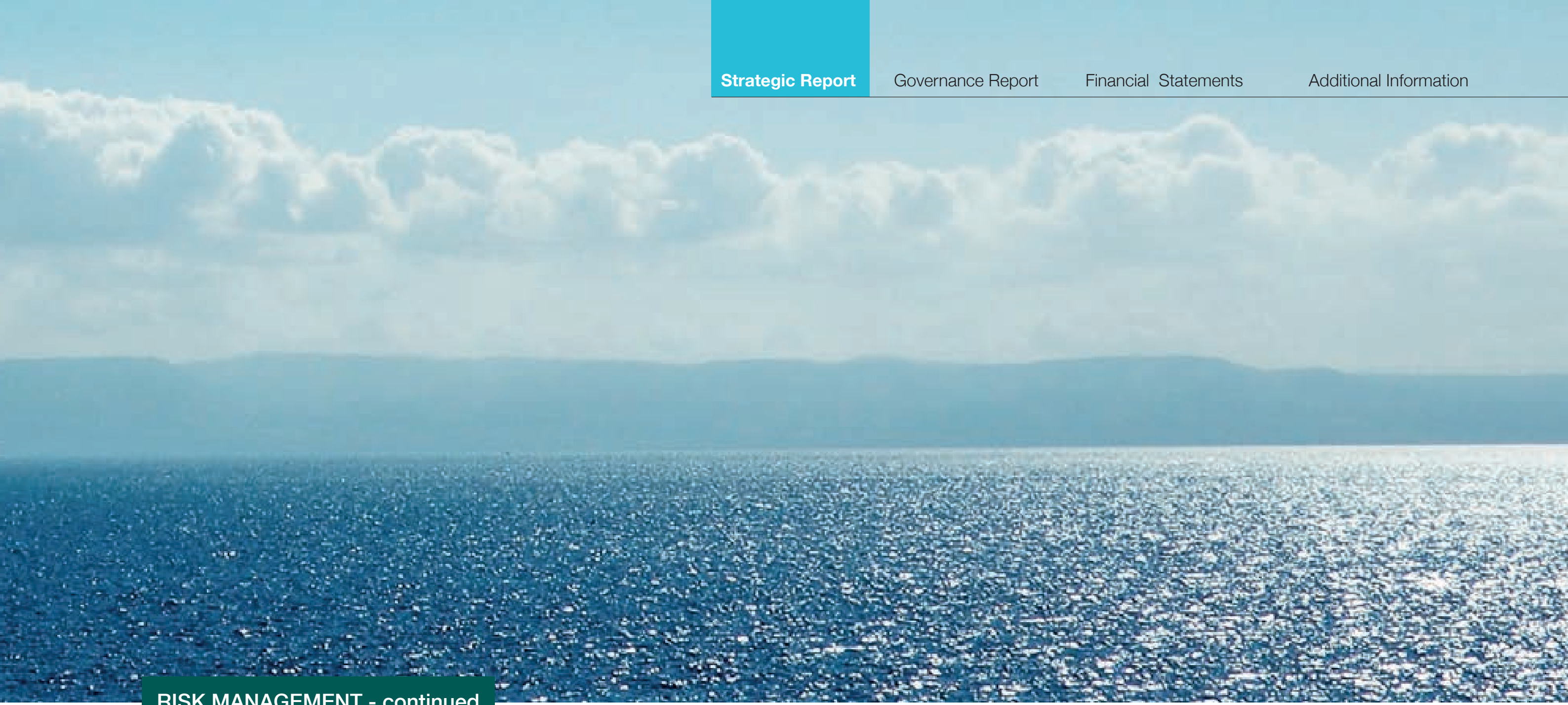
Operational Cost risk

Rising operational costs may become a big risk because they are directly impacted by the other factors, and can impact our ability to meet capital commitments. Generally speaking, the larger a project, the greater the legal and regulatory burden and associated costs. In addition, higher oil prices result in services companies increasing prices, creating further inflationary pressure. With the unpredictability of oil and other commodity prices and owing to global manufacturing beyond any one company's control, there are genuine cost concerns.

Additionally, many oil and gas firms struggle to find and keep skilled employees during boom periods. Thus payroll can rapidly grow to add another expense to the total picture. The cost of training employees in the oil and gas sector has increased, reducing the number of firms in the industry and specialised industry professionals, as older generations reach retirement age. As a result, oil and gas has become a very capital-intensive business with fewer participants each year.

Out-sourcing is becoming more common in the industry, and while this offers flexibility to operators, it also results in greater exposure to increases in daily rates for essential services, such as drilling and well services, when the oil price rises.

With heightened scrutiny on environmental, social, and governance (ESG) transparency, there will be continuous and more onerous regulatory challenges which oil and gas companies must handle to sustain their growth and purpose.



RISK MANAGEMENT - continued

Emerging Risks

Areas of emerging risks will be around regulatory changes, digital transformation, risks of social disorder and the role of the Board in crisis situations.

Similar to our principal risks, emerging risks are identified using our bottom-up approach with the regular risk assessments with risk owners and reporting to and discussing the emerging trends at the quarterly management risk meetings and the Audit and Risk Committee meetings. Pharos is engaged with the industry with organisations such as BRINDEX and assesses news alerts from such sources as Oil & Gas UK, Financial Times, Refinitiv (Eikon and Worldcheckone), Bloomberg Green and the World Economic Forum. Pharos also conducts internal benchmarking analyses with its industry peers to better understand emerging trends in the sector.

Opportunities

For the oil and gas sector the lack of liquidity and increased scrutiny from investors on fossil fuel producers to decarbonise may create investment opportunities for oil and gas independents with a lower cost base than the oil majors and which are more able to adapt to a rapidly changing risk landscape. In the short term, capital allocation and discipline will be rigorously maintained while at the same time exploring opportunities to reduce our carbon footprint by adopting different methods / processes to power our operations, including the possibilities of solar power, wind power and other carbon reduction technologies in the longer term. Our asset base is operated by separate independent Joint Operating Companies, leaving our role in both Egypt and Vietnam one of joint, rather than unilateral, control.

Board Responsibility

The Board fulfils its role in risk oversight by developing policies and procedures around risk that are consistent with the organisation's strategy and risk appetite, taking steps to foster risk awareness and encouraging a company culture of risk adjusting awareness throughout the Group. The Audit and Risk Committee reports back to the Board regarding the adequacy of risk management measures so that the Board has confidence that management can support them. The Board regularly reviews the principal and emerging risks facing the business, including an annual review of the effectiveness of the risk management process in identifying, assessing and mitigating any significant risks which may affect the Group's business objectives.

Risk management and the principal financial risks and uncertainties facing the Group are discussed in Note 3 and Note 36 to the Financial Statements. The Group's Risk Management Framework, policy and associated procedures are further discussed in the UK Corporate Governance Report on pages 106 to 113 and in the Audit and Risk Committee Report on pages 120 to 125, where the significant issues related to the 2023 Financial Statements are also reported. The Group's Business Management System, which includes the Health, Safety, Environmental and Social Responsibility (HSES) Management System, incorporating the Group's internal control mechanisms of policies, procedures and guidelines through which it assesses, manages and mitigates its HSES risks and impacts, is described more fully in the Corporate Responsibility Report on pages 62 to 81.

The Board has carried out a review of the uncertainties surrounding the Group's principal and emerging risks and recognised that a potential adverse event can have a material impact on the Group's future earnings and cash flows. The fluctuating prices of crude oil and gas remain a significant variable to monitor closely for the Group. Flash events are happening more frequently from international trade tensions, geopolitical tensions, sudden outbreak of diseases, speed of climate change transition and physical risks which may require changes to our corporate price assumptions and productions outlook which, in turn may trigger impairment of assets.

PRINCIPAL RISKS AND MITIGATIONS

Risk Management

A summary of the key risks affecting Pharos and how these are mitigated to enable the Company to achieve its strategic objectives is as follows:

Key to change in likelihood during the year: Increase | No Change | Decrease | N New Risk

Principal risks	Change in likelihood	Causes	Risk Mitigation
STRATEGIC			
1. Insufficient funds to meet commitments • Inability to invest in line with growth strategy	No Change	• Reallocation of capital away from oil and gas • Huge swings in oil and other commodity prices • Assets bubble bursts • Global debt crises emerging • Inadequate cost control • Poor technical data to support allocations • High inflation	• Regular review of funding options • Stress testing forecast • Proactive dialogue with banks and other providers of capital • Opportunity screening • Effective project management and resourcing • Thorough capital allocation process
2. Production levels below expectation • Sub-Optimal well performance • Reduced drilling	No Change	• Inadequate waterflood responses • Incorrect well placements • Development wells uncommercial • Poor reservoir models • Lack of financing for drilling programme	• Develop a clear wells strategy, focusing on performance improvement, regulatory compliance and increased activity • Increase drilling activity / plan-drill additional injection wells / frac injection zone • Reduce cost of well construction • Increase surveillance and intervention rates • Perform Target workovers on producer / injection wells • De-risk best prospects / drill best prospects • Improve Reservoir models • Implement planned drilling programmes • Active participation in dialogue with JVs / JOCs

PRINCIPAL RISKS AND MITIGATIONS - continued

Principal risks	Change in likelihood	Causes	Risk Mitigation
3. Health, Safety, Environmental and Social Risk • Reputational • Operational outages leading to lower production		• Health and safety and environmental risks of major explosions, leaks or spills • High risk operating conditions and HSES risks • Climate change impacts on the sector, such as extreme weather, sea level rise and water availability affecting production • Gas venting and flaring hazards and risks - well blow outs, land / water contamination • Non-aligment of HSES practices with Pharos Corporate standards with JVs and JOCs • Increased disparities and societal risks in health, technology or workforce opportunities	• Improve structural and Asset Integrity through strong operational and maintenance processes which are critical to preserving a safer environment • Comply with all legislative / regulatory frameworks and transitioning to a goal-based approach focused on improving safety • Promote a positive health and safety culture where workers are given proper training and incentives to work “safe” with a zero tolerance for non-compliance • Environmental and Social Impact Assessments relating to, for example: – climate impacts and need to adapt to changing climate conditions over the life of the asset – regulatory developments • Enhance emergency preparedness and spill prevention plan – Controlled venting – Control and management of pressurised oil and gas from boreholes – Use of low impact extraction chemicals where alternatives exist – Water management - securing of a sustainable water supply, recycling and reuse wastewater – Marine management plan - especially for offshore drilling – Carry out scenario exercises to improve preparedness – Active participation in dialogue with JOC to influence them on best work practices • Maintaining adequate energy insurance for our assets and operations

Principal risks	Change in likelihood	Causes	Risk Mitigation
4. Climate Change – transition and physical risks • Commodity price volatility • Restrictions of use of carbon intensive assets • Lack of portfolio diversification • Accelerating electrification • Carbon pricing • Reduced water availability • Increased temperature and heat stress • Storm frequency	↑	• Pressure on investors to divest / avoid fossil fuel companies / projects • Inability to find economically viable CO_2 reduction solutions • Lack of alignment between our key stakeholders' priorities and climate change concerns • Global transition to a lower carbon intensity economy • Increased climate regulation and disclosure • Increase in carbon taxes / decarbonisation charges • Transformational shifts leading to reduced demand for fossil fuels • Climate activists pressing prominent institutions and investors to abandon fossil investments - "greening" the financial system • Increased frequency of extreme weather events • Supply chain disruptions causing delay / shutdowns to operations • Lack of partner alignment on decarbonisation initiatives • Reduced access to insurance market	• Net Zero commitment on all assets by 2050, detailed roadmap published in December 2023 • Emission Management Fund, under which we set aside \$0.25 for each barrel sold at an oil price above \$75/bbl to support emissions management projects • Transparent reporting and participation in Carbon Disclosure Project (CDP) • Continue alignment with TCFD recommendations • Further integrate climate risk management within Pharos Risk Management Framework • Stress test our going concerns under a Net Zero Emissions price scenario and carbon tax scenario • Embed climate change scenarios and evaluate decisions on key business operations / directions • Continuous improvement of GHG emissions management and get JOCs to support CO_2 emissions reduction initiatives • Annually review, update and renew Group Climate Change Policy to keep it fit for purpose and in line with evolving decarbonisation developments • Comprehensive insurance cover for Physical Damage to oil and gas assets and infrastructure • Close monitoring of regional extreme weather developments so that evacuation or shut-down are activated in good time • Regular and timely control of inventories to ensure essential spares are sourced in advance • Prepare business cases or studies to support decarbonisation initiatives

FINANCIAL

Principal risks	Change in likelihood	Causes	Risk Mitigation

5. Commodity Price risk
• Uncertainty on planning
• Inability to fund work programme / dividend
	↔	• Geo-political factors and international conflicts
		• Pressure on investors to divest / avoid fossil fuel companies / projects
		• Lower long-term prices tighten the margin of error for investments
		• Forecasting volatility swings are more complex as it is challenging to gauge what that means for the industry as market dynamics are influenced by the speed of recovery from COVID-19 and growing ESG pressures
		• Negative cash flows and earnings degradation
		• Market speculation and trading in oil futures
		• Repercussions of the Russian invasion of Ukraine and Middle East conflict
			• Oil commodity Hedging
			  – Comply with RBL requirements
			  – Maintain robust processes around treasury, governance, forecasting, credit and risk
			• Close monitoring of business activities, financial position cash flows
			• Control over procurement costs / effective management of supply chains derived from third parties - suppliers, joint venture partners, investors, and contractors
			• Stress test scenarios and sensitivities via principal compound risk analysis to ensure a level of robustness to downside price scenarios
			• Capital discipline with focus on controlling and managing costs
			• Discretionary spend actively managed
			• Maintain and cultivate good relationships with lenders

PRINCIPAL RISKS AND MITIGATIONS - continued

Principal risks	Change in likelihood	Causes	Risk Mitigation
6. Rising operational costs • Reduced profits • Strain on cash flows • Shortages in skilled labour		• Global inflation • Turmoil in the energy markets causing sharp price hikes • Sudden unplanned rate increases for oil and gas services	• Regular updates to yearly budgets and forecasts • Focus in discretionary spend • Secure long-term contracts where appropriate without lock-ins • Explore applying new technological advances, focus on prevention and early detection
7. Egyptian economy • The impact of the war in Ukraine on Egypt's economy is especially significant		• Inability to repatriate cash earned from Egypt • Further devaluation of the Egyptian pound	• Pharos have opted not to accept the payment of our receivables balance in EGP unless required for operations • Revolving credit facility with the National Bank of Egypt (UK) (NBE), which allows us to draw down 60% of the value of each oil sales invoice in USD ($18m facility until 30 May 2025, with further renewals by agreement) • Accepting payments in EGP, to be reinvested in field operations as soon as the IPR carry comes to an end

OPERATIONAL

Principal risks	Change in likelihood	Causes	Risk Mitigation
8. Reserves Risk • Future cash flows and value depend on producing our reserves		• Inaccurate reserves estimate • Earlier impairment triggers due to low commodity price • Capital constraints jeopardise planned exploration / development initiatives • Inherent uncertainties in the evaluation techniques to estimate the 2P reserves • Increased DD&A costs • Lower than expected well performances and drilling results • Slower drilling programmes	• Monitor and maintain standards of reserves reporting by adhering to three key considerations: consistency, transparency and utility, including disclosure of movements in reserves on a country-by-country basis, disclosure of material projects and moderation of subjective judgements • On-going evaluation of projects in existing and potential new areas of interest and pursue development opportunities • Regular reviews of reserves estimates by independent consultants • Ensure continuing adherence to industry best practice regarding technical estimates and judgements • Ensuring peer and independent verification of future production profiles and reserve recovery • RBL facility compliance - Vietnam Reserves are audited independently by reserves consultants approved by lenders

Principal risks	Change in likelihood	Causes	Risk Mitigation
9. Partner Alignment Risk **Vietnam** • Technical misalignment at JV/ JOC level can delay investment • Adverse impact on Production and Cash flow **Egypt** • Technical misalignment at JV/ JOC level can delay investment • Adverse impact on Production and Cash flow	↑	• FPSO Tie-in Agreement from other Operator • Delay in the Field Development Plans • Technical disagreement caused by quality of JV staff, work ethic, low productivity, competency issues • Geological Modelling differences resulting in sub-optimal well locations • JOC partner (IPR and EGPC) divergent views on investments, and difference in value-drivers	• Active Participation in JOC management • Direct secondment • Build Senior Management level relationship with local partners • Continue good relationship with other Foreign Partner • Close collaboration with JOCs partners • Support JV training initiatives • Engage with JV Exploration Manager • Achieve technical buy-in to ERCE model • Waterflood analogue success education
10. Cyber risk • Major cyber security breach may result in loss of key confidential data • Unavailability of key systems	↔	• Sophistication and frequency of cyber-attacks increasing • Heavy reliance on and disruption to critical business systems • Infiltration of spam emails corrupting our systems • Critical reliance on remote working in light of demand for longer-term hybrid and flexible working practices, originally in response to the COVID-19 pandemic • IT provider acquired during 2023 – changing provider / individuals	• Update Service level agreement with IT providers, including regular meetings and other interfaces to raise any issues and review performance • Offsite Installation of back-up system and Business Recovery / Continuity Plan in place • Enhance our Cloud back-up data and solutions • Prevention and detection of cyber threats via a programme of effective continuous monitoring • Plan for upgrade of IT systems
11. Human Resource Risk • Good skilled people are essential to ensure success	↔	• Failure to recruit and retain high calibre personnel to deliver on and implement growth strategy • Challenges in the recruitment and integration of additional technical expertise for any new acquisition • Negative view of the oil and gas industry amongst younger professionals, particularly in light of climate change impacts, resulting in fewer entrants to the industry to replace retiring professionals • High costs of recruiting experienced workforce • Weakened corporate culture and collegiate responsibility due to remote working • Restructuring workforce • Board re-composition and retirements	• Remuneration Committee retains independent advisors to test the competitiveness of compensation packages for key employees • On-going succession planning • Maintain a competitive remuneration mix re bonus, long-term incentive and share option plans • Build and use people networks in each country and advertise vacancies in these networks • Maintain a programme for staff wellbeing • Facilitate and encourage workforce communication via Group-wide offsite events and quarterly video conferences, employee surveys and shared feedback

PRINCIPAL RISKS AND MITIGATIONS - continued

Principal risks	Change in likelihood	Causes	Risk Mitigation
REPUTATION			
12. Sub-optimal capital allocation • Adverse reaction from current / future stakeholders • Investment decisions based on realistic / achievable economic assumptions		• Scarcity of capital for investment projects • A volatile macroeconomic environment resulting in significant differences to key assumptions underpinning investment decisions • Pressure to invest and produce growth and returns in the short term to maintain dividend payments • Shareholder focus on increasing returns in conflict with wider strategic considerations • Inability to "switch-off" drilling / investment commitments if economic assumptions change rapidly • Lack of partner / stakeholder alignment on decarbonisation initiatives	• Carry out robust economic analyses based on opportunities high-grading to support capital allocation • Key KPIs such as NPV, IRR and payback used to compare across many project scenarios • Rig count investment scenarios are stress-tested against a range of Brent oil prices • Seeking to maximise influence to promote best practice in non-operated ventures • Seek the views of stakeholders through direct and indirect engagement • Maintain a balanced investment portfolio which allows a degree of resilience in adjusting short-term investment commitments • Prepare business case or back pay study to support decarbonisation initiatives
13. Political and Regional risk • Energy sector exposed to a wide range of political developments which may impact adversely on operating costs, compliance and taxation		• Operations in challenging regulatory and political environments • Changes to fiscal regimes without robust stabilisation protections • Protracted approval processes causing delays • Government reform, political instability and/or civil unrest • Impact of financial sanctions, export controls and other trading restrictions on industry counterparties and sectors (in particular, sanctions on entities or individuals arising from the continuing conflict in Ukraine and other international conflicts)	• Canvass support in risk management by using both international and in-country professional advisors • Engage directly with the relevant authorities on a regular basis • Assess country risk profiles, trend analyses and on-the-ground reports by journalists / academics • Thoroughly evaluate the risks of operating in specific areas and assess commercial acceptability • Maintain political risk insurance at appropriate levels of cover • Maintain USD as the main currency of our business • Active working group monitoring sanctions arising from conflict in Ukraine and assessing / managing associated risk to Group • Annual renewal of a standalone Group Sanctions Policy, to supplement existing Group Code of Business Conduct and Ethics • Develop and maintain mitigation planning in relation to certain counterparties with potential to come within the future scope of sanctions
14. Business Conduct and Bribery • Reputational damage and exposure to criminal charges		• Present in countries with below average score on the Transparency International Corruption Index • Lack of transparent procurement and investment policies • Non-compliance with Criminal Crime Offences (CCO) and/or UK Bribery Act • Corruption and human rights issues	• Ensure adequate due diligence prior to on-boarding with a risk based approach, including independent "Red flags" checks • Annual training, testing and compliance certifications by all associated persons • Increase awareness of, and ensure regular training in, the Group's Code of Business Conduct and Ethics and associated guidance and other corporate policies for all employees and associated persons • Mandatory Gifts and Hospitality declaration and register • Group Whistleblowing Policy and confidential ethics 24 hour hotline supported by EthicsPoint with numbers displayed in all offices • CCO risk assessment and on-going implementation of adequate procedures to prevent facilitation of tax evasion across all operations • Comply with the principles of the Extractive Industries Transparency Initiative

Viability Statement

In accordance with the UK Corporate Governance code, the Board has assessed the prospects of the company over a period longer than the twelve months required to support the Going Concern Statement on page 166 of the Financial Statements.

The Audit & Risk Committee reapproved in December 2023 that the appropriate length, which the Viability Statement (VS) should cover, is three years. A significant factor in the Group's forward cash position is the oil price assumption, and as most of the source data relates to a three-year period this is considered as the appropriate lookout period for the VS.

In undertaking this assessment, the Board has carried out a robust review of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, with particular attention given to the principal and emerging risks.

Our strategy and associated principal and emerging risks underpin both the Group's three-year base forecast and scenario testing, as well as our longer term prospects and position.

Group's current position

- Production assets in Vietnam and Egypt with low operating cost base
- Flexibility in the capital expenditure programme
- Operating cash flows in line with oil prices and supported by hedging programme
- Focus on capital discipline
- Excellent HSES standards in Vietnam
- Repayment of current RBL loan in the three-year period of the VS

Strategy & business model

- Business model drawing on geoscience, engineering, financial and commercial talent
- Responsible and Flexible stewards of capital
- Focus on stakeholders

The principal and emerging risks, which are considered in assessing the Group's prospects, are the same as those used to stress test our viability over the three-year period.

How we assess our viability

Our forecast is built on an asset by asset basis using a bottom up model and is stress tested by compounding downward scenarios.

The three-year period selected for testing covers the Group's medium term capital plans and projections, in particular oil price projections, a fundamental driver of the groups operating cash flows, where market consensus data becomes less reliable for periods further ahead than three years.

Although individual assets are often modelled for periods longer than three years, to reflect the return on investments being considered over the life of field, the three-year period has been selected by the Board as most appropriate for the group as a whole. It provides management and the Board with sufficient and realistic visibility of the future industry environment whilst capturing the Group's future expenditure commitments on its licences, its near term drilling programmes and Full Field Development Plans (FFDPs).

In assessing the Group's viability over the next three years, it is recognised that all future assessments are subject to a level of uncertainty which increases with time and that future outcomes cannot be guaranteed.

Key Assumptions

During the three-year period, the working assumption is that the Group will be dependent on its cash generating assets TGT and CNV in Vietnam and El Fayum and North Beni Suef Concessions in Egypt.

The underlying oil and gas reserves in both Vietnam and Egypt have been certified by Reserves Auditors, RISC (for Vietnam) and McDaniel (for Egypt). In our model, we have used management's best estimate of future commodity prices, resulting in a base oil price prior to scenario testing of $81.5/bbl in 2024, $79.0/bbl in 2025 and $79.2/bbl in 2026. The base model also includes the Group's latest life of field production models and expenditure forecasts.

The company has a Reserves Based Lending (RBL) facility over its Vietnam producing assets which matures in July 2025 and has been subject to amortisation since July 2022. As of December 2023, the facility amount was $57.3m, with $30m drawn. The current borrowing level and the repayment schedules in the model are based on the RBL's economic and technical assumption as of the December 2023 redetermination. In the current VS period, the RBL loan is expected to be repaid by 2025.

Pharos El Fayum have an uncommitted revolving credit facility through to 30 May 2025 for up to $18m with the National Bank of Egypt (UK). This facility was implemented to help mitigate the risk of late payment from debtors. Under this arrangement, Pharos is able to access cash from the facility for up to 60% of the value of each El Fayum oil sales invoice.

PRINCIPAL RISKS AND MITIGATIONS - continued

Stress testing linked to Principal Risks

As well as the base model, the Group also evaluates other scenarios and has stress-tested the forecast for a combination of severe but plausible events (linked to the majority of the Group's principal risks) that could potentially impact its ability to fund planned activities and/or comply with the covenants and undertakings within its reserves based lending facility agreement. These events include:

- A material reduction in the oil price putting pressure on the Group's capital available for investment
- A material reduction in production
- An unfavourable event resulting in lost production and oil price shock

Base Forecast flexed for combinations of the following scenarios	Link to Principal Risks in 2023 on page 48	Level of Severity Tested	Conclusion
Sustained and sharp drop in oil price	1,4,5	Sharp drop in the oil price, down by a third to $54.3/bbl in April 2024, then rising gradually over a year till in line with base price	Company remains viable with mitigating actions
Reduction in production	1,2,6,7,8,10,11,12	5% drop in production from April 2024 over the period of testing	Company remains viable with mitigating actions
Unfavourable event leading to lost production and price shock	1,2,3,4,5,6,7,8,10,11,12	Combination of tests above	Company remains viable with mitigating actions

Climate Change

We have also factored in the risk of potential price reductions due to climate change pressures during the three-year Viability Statement window. We have therefore considered the price curve as an output of a Net Zero Emissions by 2050 (NZE) based on IEA's World Outlook 2023 report, which is consistent with achieving 1.5 °C stabilisation in global average temperatures and a Net Zero CO_2 emission by 2050. The nominal Brent prices used in this scenario are comparable to our base case oil price assumptions over the three-year VS period. Nevertheless, we have concluded that the stress testing outlined above adequately accounts for the risk of any downside adjustments to our revenue base over the three-year VS period due to climate change pressures.

To date, there is no official carbon tax established in either of jurisdictions where our operations are located i.e. Vietnam and Egypt. Furthermore, the imposition of carbon taxes would likely to uplift the Brent prices as some of the burden will be passed to the consumer.

As a sensitivity test, we have run the effect of carbon tax from 2025 on base case without assuming any increment in Brent price and the Group remains viable over the three-year VS period (please refer to the TCFD Report on pages 83 to 98 for more information).

It should be noted that the existing RBL facility will be repaid within one-and-half years, falling within the three-year Viability Statement window. This provides us certain level of protection against the risk of capital availability being constrained by concerns related to climate change.

In all combinations of scenarios that were tested, the Group had implemented mitigating actions including hedging and deferring non-committed expenditure beyond the three-year window of the VS. Directors have reviewed the realistic mitigating actions that could be taken to reduce the impact of the underlying risk. The forecast cash flows are regularly monitored and reviewed to provide early warnings of any issues and to give sufficient time to undertake any necessary mitigating actions.

The potential impact of the other principal risks on the group's viability during the assessment period were also considered. Such risks include the inability to attract and retain appropriately skilled people, Cyber risk and Business Conduct and Bribery risk. The Board has considered the risk mitigation strategy for each of these risks and believes that the mitigation strategies in place are sufficient to reduce the impact of each risk, making it unlikely to jeopardise the Group's viability during the three-year period.

Based on all of these assessments, including the availability of actions which could be taken in the event of plausible negative scenarios occurring, the Directors confirm that they hold a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the three-year period to 31 December 2026.

Corporate Responsibility Report

2023 Performance

Business

100%
EL FAYUM OIL
(2022: 100%)

100%
TGT & CNV OIL
(2022: 100%)

Oil sold domestically in Egypt and Vietnam in 2023, contributing to host country development goals and access to energy.

Ethics

$188.0m
Taxes and royalties to host governments, includes host governments share of production entitlements in 2023
(2022: $245.3m)

100%
Percentage of staff receiving anti-bribery and corruption training by 31 December 2023
(2022: 100%)

People

0 LTIs
Zero Lost Time Injury events across Group operations in 2023
(2022: 1 LTI)

c.65%
Female employees at corporate level in London in 2023
(2022: 65%)

Environment

281
Tonnes CO_2e per 1,000 tonnes of hydrocarbon produced in 2023
(2022: 335)

2
Oil/chemical spills (quantities greater than 100 litres) in Egypt in 2023
(2022: 1)

Society

$500,000
Combined total training levies in Vietnam and Egypt for investment in industry capacity building in 2023
(2022: $500,000)

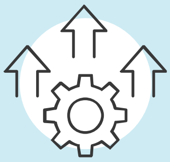
$ 247,373
Community investments supporting 22 social projects in Egypt, Vietnam and UK in 2023
(2022: $198,600)

CORPORATE RESPONSIBILITY REPORT - continued

Governing Corporate Responsibility

Our aim is to add value in everything we do through responsible, efficient and safe energy production.

We take our role in society very seriously. We are committed to open, transparent communication, and taking a rigorous, conscientious approach to the environment, our role in society, our business practices and ethics, and how we relate to people. That includes all our stakeholders: the people who work with us directly and indirectly, those who live where we operate, and the host governments and authorities that regulate our activities.



The Group's Corporate Responsibility standards, policies and HSES Management System

1. **Code of Business Conduct and Ethics**

2. **Key CR/HSES policies supporting the Code**

- Climate Change Policy
- Code of Business Conduct and Ethics Code
- Human Rights Policy
- Security Policy
- HSE Policy
- Social Responsibility Policy
- Biodiversity Conservation Policy
- Water Resource Management Policy
- Prevention of Slavery and Human Trafficking Policy
- Sanctions Policy
- Tax Strategy Statement
- Non-Audit Services

3. **Standards, procedures and guidance support the policies**

See www.pharos.energy/responsibility/policy-statements/ for the full text of the current versions of each of these policies.

Corporate Responsibility governance & management

A long-term goal of the Group is to be a positive presence in regions in which it operates by providing responsible and sustainable development. The objective of sustainability will apply equally to the Company's traditional reputation for financial discipline and return of value to shareholders as it will to the Group's objective of striving towards the goal of establishing and maintaining the highest operating standards across Environmental, Social and Governance ("ESG") matters.

The Board is also fully committed to effective compliance with the 2018 UK Corporate Governance Code, applicable to the current financial year of the Company ending 31 December 2023. The Board's objective is to be recognised for its high standard for governance, with a considerate and pragmatic approach to its business.

Corporate Responsibility objectives are defined annually and reviewed quarterly in relation to: our business, our ethics, our people, environment and society.

In terms of corporate responsibility and community engagement, the Board is committed to treating all stakeholders in every area of operations with honesty, fairness, openness, engagement and respect, and to conducting all business ethically and safely. The Group will only work with parties that share these values.

Our Code of Business Conduct and Ethics ("our Code") sets out our expectations for how we do business, clarifying our commitments to ethical, social and environmental performance. Our Group Corporate Responsibility ("CR") and Health, Safety, Environmental and Social Responsibility ("HSES") policies described above support our Code.

Our corporate standards, procedures and guidelines support the policies. Project-specific operational plans, programmes and procedures set out the specific approach to CR and HSES issues and risks within each project.

The Pharos Health, Safety, Environmental and Social Responsibility Management System ("HSES MS") describes the Group's internal processes to manage risks and is consistent with the requirements of internationally recognised standards (ISO 14001, ISO 45001) and aligned with the World Bank's International Finance Corporation ("IFC") Environmental and Social Performance Standards.

Climate-related governance & management

Pharos have a multi-layered governance structure that aligns our operating model with our net zero ambition.

The Board takes overall responsibility for our Net Zero ambition, corporate responsibility strategy and climate-related risk and opportunities. Given the wide-ranging remit of climate-related matters, Pharos integrated management responsibilities into various business and functional areas within the Group, and climate-related activities are managed and held accountable by a combination of different committees:

- **The ESG Committee** oversees the Group's management and compliance with climate-related reporting and disclosure requirements, as well as assists the Board in defining and implementing the Group's corporate responsibility strategy.
- **The Audit & Risk Committee (ARC)** oversees all principal and emerging risks in our risk management process, in which climate risk is considered a principal risk. It also oversees the adequacy and effectiveness of our policies, standards and management system for HSES.
- **The Remuneration Committee** oversees the level of management incentives attached to improvements in climate-related performance in order to further encourage action on this agenda.

For each Committee's Terms of Reference (ToR), please visit www.pharos.energy/about-us/governance/committees/.

Progress against our Net Zero ambition, ESG targets and updates on GHG performance are reviewed at quarterly Board and Committee meetings.

Our Chief Executive Officer and Chief Financial Officer manage our climate progress and are responsible for the delivery of our Net Zero strategy. We set up a Net Zero Working Group, which has met monthly since May 2022, with functional and operational representatives, that drives progress on our strategy.

Stakeholder engagement & materiality screening

We engage with our stakeholders on a regular basis and receive feedback through a range of formal and informal processes, which we set out in more detail in the UK Governance Code Report on pages 106 to 113 of our Governance Report. We listen to their concerns and feedbacks when determining our corporate responsibility framework and use the information they provide us to identify the issues that are most important to the successful delivery of our corporate objectives and most important to our stakeholders.

The Board, the ARC and the ESG Committee also regularly discuss at each quarterly Board and Committee meetings the new and existing themes and issues that matter to our stakeholders. Our management team then uses this insight and other applicable disclosure laws and regulations to choose what we measure and publicly report in our Annual Report.

In 2023 Pharos has continued to refer to the Sustainability Accounting Standards Board (SASB) materiality map for Oil & Gas - Exploration and Production, to ensure that the material issues of importance to its activities are appropriately managed and reported. Our approach on environmental and social reporting in 2023 has taken into account the Voluntary Sustainability Reporting guidance issued by IPIECA, the global not-for-profit oil and gas industry association for environmental and social issues, in partnership with the American Petroleum Institute and the International Association of Oil and Gas Producers. We report on jointly operated companies in Egypt and Vietnam.

The Group consider 'materiality' to be the threshold at which ESG issues become sufficiently important to our investors and other stakeholders. We are also informed by the London Stock Exchange listing and disclosure rules in areas where we have operations, and are held accountable by our auditors and Company Secretary. The Board will further reinforce the integration of climate considerations into its governance frameworks by implementing the principles stated in our Climate Change Policy and continuing the Company's alignment with TCFD recommended disclosures.

We know that what is important to our stakeholders evolves over time and we plan to continue to assess our approach to ensure we remain relevant in what we measure and publicly report.

CORPORATE RESPONSIBILITY REPORT - continued

Stakeholder groups and corporate responsibility topics

Stakeholder group	How we engage with them and understand any concerns	Key areas of concern for stakeholder groups
Local communities	Environmental and social impact assessments and grievance mechanisms at project level	• Community investment • Effluents and waste management • Biodiversity • Transparency
National and host governments	Regular dialogue	• Payments to governments • Local capability building • Environmental management and net zero commitment • Health and safety
Employees and contractors	• Promote adherence to local government's health and safety guidelines • Regular dialogue and grievance mechanisms • Annual feedback sessions with all staff members	• Keep workforce safe during pandemic or outbreaks • Local capacity building • Contractor management • Staff wellbeing
Shareholders	Regular dialogue	• Climate risk/energy transition and other ESG risks • HSES Health and Safety • HSES Management System • Preventing corruption
International community	Responding to inquiries and media scanning	• Climate risk, energy transition and net zero commitment • GHG emissions • Preventing corruption • Human rights and Modern Slavery

Business

Focusing on supply chain impacts. Our objective is to contribute to responsible and sustainable development throughout our operations.

Climate risks and global energy transition

Climate change is considered a principal risk to the Group and its business over the medium and long term, and this is discussed in more detail in the Risk Management Report and in our TCFD Report on pages 48 and 83.

Our overall risk management framework integrates climate-related risks into business decision by carrying out regular and robust risk assessment, conducting deep-dive exercises to gauge risk appetite, monitoring macroeconomic environment and regulatory landscape, and using scenario analyses to stress-test principal risks on key variables for the Going Concern and Viability Testing. Our Net Zero Roadmap, which was published in December 2023 and sets out interim targets towards our net zero by 2050 commitment and decarbonisation levers to reduce our carbon emissions, is a key part of our climate risk management and business decision.

Pharos is cognisant of the potential diminished role of fossil fuels in the global energy mix as depicted in the IEA Sustainable Recovery Plan. However, we also recognise that that oil and gas will continue to play an essential role in the global energy mix for the next decade, and that the importance of producing this energy in a safe, environmentally sustainable and socially responsible way will continue to grow. We believe that there are real opportunities in the energy transition, especially for countries such as Egypt and Vietnam, to benefit from the responsible and sustainable development of their natural resources. Pharos stands ready to play our part in this transition and will continue to support our host governments as they seek to use oil revenues to promote sustainable, inclusive economic development, manage the impact of climate change and achieve their COP commitments.

We report transparently and have participated in the CDP (formerly Climate Disclosure Project) Climate Change Questionnaire over the past five years. In 2023, we maintained our score of (C), originally awarded in 2019. The Company also received a score (C) for our disclosure to the CDP Water Security Questionnaire. Our greenhouse gas emissions ("GHG") are reported in the Environment section on page 75. Our commitment to align our reporting to TCFD recommended disclosures are set out on page 83.

Business partners and influence

Relationships with business partners, host governments and local communities where we operate are critical for our business. Our Code sets out our commitment to doing business honestly and ethically and to complying with all applicable laws and regulations. It sets out our expectations to take steps to only do business with others who share our values.

Our ability to influence our business partners and JOCs depends on our degree of ownership and operatorship. Where we are the designated operator, we fully apply the Pharos HSES MS. Where we are a joint operating partner or part of a JOC, we seek to influence and ensure alignment with our systems. Where we have a minority interest, we seek to make our views heard and ensure that minimum standards are met in accordance with our commitment to the IFC Performance Standards.

Vietnam interests and operations[1]

Degree of influence	Blocks	Country	Pharos ownership	Pharos role	2023 field activity	Target HSES outcome
High	Blocks 125 & 126	Vietnam	70%	Operator	Approval received for the two-year extension to the Exploration Period on Blocks 125 & 126 PSC to 8 November 2025	Full application of the Pharos HSES MS
Moderate	Block 16-1	Vietnam	30.5% *	Joint operating partner (in Hoang Long Joint Operating Company)	Approval received for the TGT Revised Field Development Plan ("RFDP")	Influence to bring alignment to the Pharos HSES MS
Moderate	Block 9-2	Vietnam	25%	Joint operating partner (in Hoan Vu Joint Operating Company)	New CNV well (CNV-2PST1) came in strongly, contributing to Vietnam field production	Influence to bring alignment to the Pharos HSES MS

1) 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. The Group's unitised interest in the TGT field is 29.7%

CORPORATE RESPONSIBILITY REPORT - continued

Egypt interests and operations[1]

Degree of influence	Blocks	Country	Pharos ownership	Pharos role	2023 field activity	Target HSES outcome
Moderate	El Fayum Concession	Egypt	45%	Joint operating partner (in Petrosilah)	First exploration commitment well in El Fayum Concession encountered oil-bearing reservoirs in the Abu Roash G and Upper Bahariya formation	Influence to bring alignment to the Pharos HSES MS
Moderate	North Beni Suef Concession	Egypt	45%	Joint operating partner (in Petrosilah)	First exploration commitment well (NBS-SW1X) declared a commercial discovery and put on production in December 2023	Influence to bring alignment to the Pharos HSES MS

1) On 21 March 2022, Pharos completed the farm-down 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.

HSES Management System

We undertake a range of activities to continuously improve our HSES MS to ensure that the Company's policy commitments are applied. We may work in countries that have different standards and we review any potential gaps to ensure adherence to our policies in dialogue with our business partners. Routine monitoring is undertaken to assess and improve performance and periodic audits are conducted.

HSE trainings and exercises

In Vietnam, the HLHVJOCs continued HSE induction to new staff, maintained its HSE Training Matrix such as travel safely by boat, firefighting and rescue, working at height and also conducted training for the offshore production team such as Personal Protective Equipment training, refresh safety induction for contractors, behavioural safety and tank inspection procedure.

In Egypt, HSES training focused on increasing the staff's capabilities and competence on ISO 14001 and 45001 management systems, land transport, safety at rig, firefighting, lifesaving rules, permit to work, hot work hazards and safety requirements in confined space entry and working at heights.

Key Performance Indicators

KPI	Target	2023	2022	2021
HSES regulatory non-compliances	Zero	0	0	0

Supply chain management

Contractors are used throughout all aspects of our business. Our Contractor Management Procedure sets out requirements through all stages from selection through to management and service delivery.

In HSES critical activities, bridging documents are put in place to ensure Pharos and contractor alignment with our requirements.

Hours worked in Vietnam and Egypt assets	Percentage of total
Company staff: 724,063	20%
Contractors: 2,862,192	80%

Overall objective

To provide responsible and sustainable development

2023 Objectives	2023 Outcomes	2024 Objectives
Further alignment with Pharos HSES Management System.	Pharos Energy continued to work towards full implementation of our HSES Management System across our business.	Further alignment with Pharos HSES Management System.
Close any outstanding gaps between HSES procedures with a focus on land transport and environmental risks.	Pharos Energy worked closely with IPR to achieve good alignment between our respective HSES Management Systems. Particular emphasis was placed on contractor management and land transportation.	Work closely with partner's HSES department to achieve good alignment between our respective HSES Management Systems.
Review implementation of updated HSES Management System across business functions.	HSES Management System policies and procedures have been updated and will be submitted for approval in 1Q 2024.	Review implementation of updated HSES Management System across business functions.
Further training on crisis management and emergency response to be held in 2023.	Crisis Management Response and Exercise were held in October 2023 with all relevant stakeholders. The learnings are being included in the updated version of the Group's Crisis Management Plan.	Further training on crisis management and emergency response.

CORPORATE RESPONSIBILITY REPORT - continued

Ethics

Our objective is to conduct our business in an honest and ethical manner.

100% **Employees and relevant contractors have undertaken anti-bribery and corruption training by 31 December 2023**

Preventing corruption

Pharos currently operates in Vietnam, which is allocated a low score on Transparency International's most recently published Corruption Perception Index ("CPI"), and is ranked number 83 (77 in 2022) out of 180 countries in the 2023 CPI. Egypt is ranked at 108 on the same CPI (130 in 2022). We recognise that, with both areas of operation having a reputation for a lack of transparency and relatively high risk of corruption, it is vital that the Group's policies, procedures and working practices are fit for purpose. Pharos maintains internal control systems to guide and ensure that our ethical business standards for relationships with others are achieved. The Audit and Risk Committee and the Board have carried out a review of the effectiveness of the Group's risk management and internal control systems, see the Audit and Risk Committee Report page 120. Bribery is prohibited throughout the organisation, both by our employees and by those performing work on our behalf. The Code of Business Conduct and Ethics supports all businesses that are conducted in an honest and ethical manner across the organisation.

Our Anti-Bribery and Corruption ("ABC") programme is designed to prevent corruption and ensure systems are in place to detect, remediate and learn from any potential violations. This includes due diligence on new vendors, annual training for all personnel, requisite compliance declarations from all associated persons, Gifts and Hospitality declaration and comprehensive 'whistleblowing' arrangements.

Our Whistleblowing Policy and Procedure ensures that employees are protected from possible reprisals when raising concerns in good faith. In addition to internal reporting channels, we have a confidential ethics hotlines supported by EthicsPoint with numbers displayed in local offices available 24 hours a day all year round. Zero calls were made to the EthicsPoint hotlines in 2023.

Payments to host governments

Wealth generated by natural resources plays an important part in the growth and development of countries in which we operate. Revenues to governments become payable by the Group due to oil production entitlements, taxes, royalties, licence fees and infrastructure improvements.

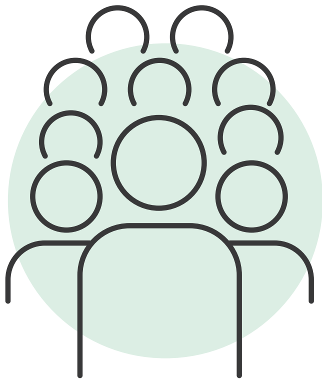
During 2023, the total payments to governments for the Group amounted to $188.0m (2022: $245.3m), of which $166.5m or 89% (2022: $211.5m or 86%) was related to the Vietnam producing licence areas, of which $110.8m (2022: $140.7m) was for indirect taxes based on production entitlement. In Egypt, payments to government totalled $19.3m (2022: $31.3m), of which $18.4m (2022: $28.8m) related to indirect taxes based on production entitlement. More information on payments to host governments can be found on page 194.

Overall objective

To conduct our business in an honest and ethical manner.

2023 Objectives	2023 Outcomes	2024 Objectives
All personnel to complete the annual ABC programme including training, testing and self-declaration statement.	Completed.	All personnel to complete the annual ABC programme including training, testing and self-declaration statement.
Continue to review ABC programme and update as required.	No updates required.	Continue to review ABC programme and update as required.
Update and republish the Modern Slavery annual statement and all other corporate policy statements.	The annual statement on Modern Slavery has been reviewed by the Board and republished on the Pharos website.	Update and republish the Modern Slavery annual statement and all other corporate policy statements.

People



Our objective is to ensure the health, safety, security and welfare of our employees and those with whom we work and to ensure that we have a workforce that is performing at its best.

On-going monitoring and precautionary / preventive measures under COVID-19

The Group adhered to the requisite precautionary procedures and restrictions, in line with the government directives in Egypt, Vietnam and the UK.

Occupational 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. Following from our Health, Safety and Environment Policy and Code of Business Conduct and Ethics, our HSES MS provides the framework for our approach and is implemented at each stage of a project supported by Occupational Health and Safety Guidance and Standard Operating Procedures. While Pharos had no field activity in 2023 in which we were the operator, we continued to work with our partners in Vietnam where the HLHVJOCs continued to maintain a high level of safety. In 2023, the Company recorded zero LTIs in Vietnam, an achievement which the JOCs have maintained since Pharos' operational inception, representing more than 10 production years on TGT and 13 production years on CNV. We have worked to build and contribute to improvements in the safety culture in Vietnam and we are proud of that record of achievement. HSES training, drills, workshops and inspections are conducted on an annual basis to ensure that the zero lost time injury target is maintained.

We are able to share our practices and lessons learned with others in the industry and are contributing to further capacity building.

In Egypt, no lost time injuries were recorded in 2023. However, there were two motor vehicle crashes recorded in the first quarter, which fortunately did not result in any injuries. We continuously work with the operator IPR and the JOC Petrosilah to address the underlying issues identified behind the safety measurements and precautions in our operations.

Safety of our workforce remains our number one priority and Pharos has reinforced the use of stop cards and safety training across all of the Group's operations.

Safety record

		2023		2022		2021	
KPI	Target rates	Pharos	IOGP[4]	Pharos	IOGP[4]	Pharos	IOGP
Fatal Accident Frequency Rate[1]	Zero	0		0	1.28	0	0.75
Lost Time Injury ("LTI") Frequency Rate[2]	Zero	0		0.30	0.28	0	0.22
Total Recordable Injury Rate[3]	<0.34	0		0.60	0.90	0	0.77
Million-man hours worked		3.59		3.35	2,535	3.17	2,679

1) Fatal accident frequency rate: Number of fatal accidents per hundred million man-hours for both employees and contractors
2) Lost time injury frequency rate: Number of lost time injuries per million man-hours for both employees and contractors
3) Total Recordable Injury rate; Number of recordable injuries per million man-hours for both employees and contractors
4) International Association of Oil and Gas Producers ("IOGP") - Statistics not yet available for 2022.

Critical Incident Risk Management

Pharos has emergency response plans in place for all projects and assets. The plans are communicated to the workforce and response personnel receive training to ensure they are competent to carry out their emergency roles. This is supplemented by periodic refresher training. Drills and training exercises are carried out. We ensure asset integrity and control operations in order to effectively manage all significant risks during all stages of the operations.

During 2023, there were no Process Safety Events classified Tier 1 or Tier 2 to be reported. All incidents were investigated and lessons learned as appropriate and actions to prevent recurrence were implemented.

CORPORATE RESPONSIBILITY REPORT - continued

Safety indicators
(for both Pharos employees and contractors)

Indicator	2023
Lost Time Injury frequency rate ("LTI")	0
Fatal Accidents	0
Medical Treatment Cases	0
First Aid Cases	0
Number of Motor Vehicle Crashes	2
Roll-over	2
HSES Near Miss	9
HSES Inspections	820
HSES Audits	796
HSES Toolbox Talks	5,022
HSES Meetings	509

Safety indicators

Indicator	2023
Emergency Response Drills	114
Process Safety Events (Tier 1 or Tier 2)	0
Other minor events	9

Diversity, Equity and Inclusion (D,E&I)

Greater diversity and inclusivity brings greater understanding of people. Through our five Guiding Principles of 'Safety and Care', 'Energy and Challenge', 'Openness and Integrity', 'Empowerment and Capability' and 'Pragmatism and Focus', we have demonstrated our commitment to maintaining and building a culture of diversity and inclusion in meaningful ways.

We believe in a workforce with a diversity of experience, nationalities, cultural backgrounds and gender, to support our business strategy of long-term sustainable growth. It is crucial to the success of our business that we retain and develop the diversity of our workforce and have diversity and inclusion at the heart of our recruitment, development and promotion processes.

Our Code of Business Conduct and Ethics, associated Policies and the Pharos Guiding Principles commit us to providing a workplace free of discrimination where diversity is valued and all employees can fulfil their potential based on merit and ability. They also commit us to providing a fully inclusive workplace, while providing the right development opportunities to ensure existing staff have rewarding careers. During the year, the Company undertook a Group-wide survey of staff on questions and perceptions of diversity, equity and inclusion within the organisation. The results of this survey are expected to form the basis for a workshop for staff during 2024.

We work hard to ensure that we consult and engage with all of our employees. We value the contribution made by all employees and strive to have training and development opportunities for everyone.

2023 statement of compliance with the Listing Rules on Diversity & Inclusion

The spirit of diversity, inclusion and trust lies behind everything we do. We are committed to inclusion and diversity in all areas of the business.

Throughout the year, the Company complied with 2 out of 3 targets set by LR 9.8.6R(9) of the FCA's Listing Rules. As at 31 December 2023, the Company had:

- Four female Directors, representing two thirds of the Board
- Both Executive Director positions (Chief Executive Officer and Chief Financial Officer) held by women

The LR 9.8.6R(9) target with which the Company did not comply in 2023 related to ethnic diversity. There is no member of the Board from a minority ethnic background. The Company continues to seek and welcome candidates for the Board from a minority ethnic background for positions on the Board, and there is considerable diversity within the management team immediately beneath the Executive Directors.

Diversity, equity and inclusion sit at the heart of our recruitment, development and promotion processes. Across all of our assets, we acknowledge diversity in all its dimensions and welcome people with differing backgrounds, skills, nationalities, gender and experiences to help us deliver our business strategy. Most notably, as at year-end 2023, our UK-based staff comprises 17 people from 10 different nationalities, of which women accounted for c.65%, which ensures that we cultivate a culture that recognises and promotes diversity in all forms and where every voice is heard. We are proud that we are able to recruit talents from diverse backgrounds and ethnicities. These principles were taken into consideration during the Nominations Committee's evaluation and recruitment process for a new Independent Non-Executive Director with technical experience, but the Board was in agreement that Dr Bill Higgs was the best choice for the role from a very high quality shortlist. In reaching this decision, the Board took into account that Dr Higgs is a qualified geologist with extensive expertise in all engineering and other technical and commercial aspects of hydrocarbon exploration, development and production acquired over 30 years of global exploration, development and operations experience, including more than 10 years in executive roles for listed independent exploration and production companies. He was appointed in January 2024.

2023 Gender diversity(*)

	Male	Female
Non-Executive Directors	2	2
Executive Directors		2
Senior Management	3	1
Other Employees	15	14

* Figures correct as at 31 December 2023 and represent the Group's global workforce (Egypt, Vietnam, UK), not including contractors. Gender diversity data is collected from Pharos' Human Resources ("HR") database, in which employees fill in a questionnaire upon joining the Company. Gender diversity data is assumed to be consistent year-on-year, unless the Company is notified otherwise by the employee.

Local capability building

We are committed to providing meaningful opportunities for technical cooperation, training and capacity building in host countries. We have maintained a gender-neutral recruitment process and, wherever possible, are ensuring that we first look to fill any vacancy internally with a local candidate in London, Vietnam and Egypt.

In Egypt, under the El Fayum and North Beni Suef Concession Agreements, the Contractor party commits to a total of $200,000 split equally between the two Concessions for training and development of employees. In Vietnam, as part of the HLHVJOCs, we contribute to local capability building. A training levy of $150,000 for each JOC goes into a fund which is ring-fenced to support the development of future talent in Vietnam in the industry. The HLHVJOCs also invest in staff development and training.

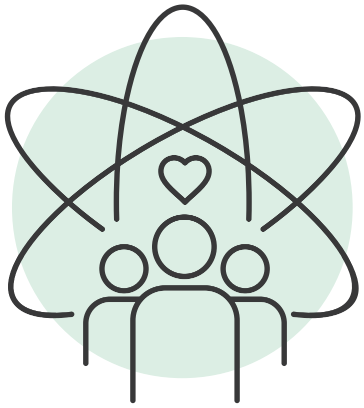
Overall objective

To ensure the health, safety, security and welfare of our employees and those with whom we work; to sustain and grow a global cultural of diversity and inclusion such that diversity is at the core of who we are and where inclusion drives innovation and solutions.

2023 Objectives	2023 Outcomes	2024 Objectives
Further develop, deliver and refine Head office options of hybrid or home working, following learnings from COVID remote working practices.	Established new routine of meetings in person at the cross-country office locations. Hybrid working has supported employee wellbeing and continues to lead to greater levels of employee productivity.	Building on the strong foundations and global team culture. Recognising the value that DE&I brings to our team, we will commence a global learning programme tailored on our DE&I survey insights and ensure DE&I initiatives extend beyond training into the future.
Develop and deliver company-wide global team engagement events, uniting colleagues from Egypt, Vietnam, US and UK for business review and updates. **Engage with the teams about workplace wellbeing schemes.** **Further embed and develop the performance appraisal system globally.**	Held inaugural all Company offsite meeting for global team, which was a huge success, and led to excellent pan-country relationships and sharing of ideas. This event was important in promoting further social investment initiatives such as the Charity and Community Projects Committee, and prompting the quarterly global business updates. It led to the launch of first DE&I all company survey to assess how best to continue conversations in this space. Successful performance appraisals now part of the global business routine, where good performance receives recognition. Training database established and will be maintained going forward.	Developing the company's Employee Value Proposition (EVP). Recognising the benefits of the employee value proposition (EVP) to employees and using this as a tool to aid retention.
Ensure worker health and safety is maintained to a high standard during both desk-based and operational activities.	Safety workshops are routinely held to raise awareness. Where incidents occurred, thorough investigations were carried out and lessons learned were captured and communicated.	Ensure worker health and safety is maintained to a high standard during both desk-based and operational activities.

CORPORATE RESPONSIBILITY REPORT - continued

Society



Our Social Responsibility and Human Rights Policies set our requirements for social responsibility, community engagement and human rights.

Human Rights & Modern Slavery

The Group Human Rights Policy commits Pharos to conducting its business in accordance with the fundamental principles of human rights set out in the Universal Declaration of Human Rights and reflects the terms of both the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Together with our Social Responsibility Policy, it sets out our commitments to align with the Voluntary Principles on Security and Human Rights. We respect indigenous rights and cultures of the communities where we operate.

Our human rights due diligence includes processes to address, monitor and communicate actual or potential impacts.

For Egypt, all Group corporate policies including the Human Rights Policy and the Social Responsibility Policy, have been translated into Arabic for dissemination locally.

In accordance with the UK Modern Slavery Act, Pharos reports annually on the steps it has taken to mitigate the risk of modern slavery occurring in any part of its business. The Group's Statement on the prevention of Modern Slavery and Human Trafficking is available on the Company's website at www.pharos.energy/responsibility/policy-statements/

Local capacity

We support local capacity building during the exploration or development phases of a project to ensure a positive imprint and legacy. All our licence agreements include a high degree of local content, which commits us to hire locally where possible and provide training to develop new skills. Our policy commits us to provide meaningful opportunities for technical co-operation, training and capacity building within any host country in which we operate.

Community and social investment

Pharos remains committed to creating value for host countries and local communities as well as for staff and shareholders. We understand that our success is reliant upon building strong relationships and being welcomed as a responsible partner in our host countries and communities. In recent years, we have structured our social investment programme to align more with the United Nations Sustainable Development Goals (UN SDGs).

In Vietnam, commitment to local sourcing, employment, training and industry capacity building has continued in 2023 with a training levy of $300,000 per year in a ring-fenced fund to support developing future Vietnamese expertise in the industry. In Egypt, under the El Fayum and North Beni Suef Concession Agreements, the Contractor parties contribute a total of $200,000 per year split equally between the two Concessions to support training and development in industry.

Pharos works closely with our local partners and joint ventures in order to make sure that our social initiatives in the region continue to bring more positive impacts to the region. In addition to the training levy mentioned above, a further $247,373 was invested in a total of 22 healthcare, education, infrastructure and other community projects across the Group in 2023. This is thanks to the efforts of the JOCs and in-country employees who actively inquired and listened to locals to find out which areas of the country need the greatest assistance in order to ensure that we were investing in local projects that would bring the most sustainable positive impact to the community.

Social and community projects have been part of Pharos since inception, and we have always sought to invest sustainably via the HLHVJOC Charitable Programme so that the initiatives that we helped set up stay in place and have lasting impacts for many generations. To build on this legacy, in 2H 2023, the Group established a new Charity and Community Projects Committee, an outcome accumulated from positive and open discussion with the global workforce at the Company's offsite day in June 2023, to bring together employees from all three offices in the UK, Egypt and Vietnam to extend Pharos' social impacts beyond our host nations. The Charity and Community Projects Committee, which includes employees from multiple business functions and multiple countries, have met three times since its formation in June 2023, and have supported seven different social projects across three different countries. The Committee aim to continue its work in supporting a diverse mix of social causes in 2024.

Details of social investment projects supported by the HLHVJOC Charitable Programme and Pharos' Charity and Community Projects Committee can be found below.

Community projects across the Group in 2023

Total $247,373

UN SDG 1 – No poverty
End poverty in all its forms everywhere

- Living costs support for orphans in Vietnam whose parents passed away due to the COVID-19 pandemic
- Vietnamese Lunar New Year gifts for 108 people from low-income families in Dan Chu commune, Hung Ha district, Thai Binh district, Vietnam
- Vietnamese Lunar New Year gifts for 200 people from low-income families in Hoa Binh province, Vietnam
- Financial support for:
  - House of Grace Orphanage in Thu Duc city, Vietnam
  - Linh Quang House of Orphanage in Dong Nai province, Vietnam
  - Low-income families in Ben Nghe ward, Ho Chi Minh city, Vietnam

UN SDG 2 – Zero hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- Financial support towards providing school lunches with protein for children in remote highland areas in Vietnam

UN SDG 3 – Good health and well-being
Ensure healthy lives and promote well-being for all at all ages

- Donation towards the London's Air Ambulance Charity's Up Against Time Appeal to fundraise £15 million to replace the current air ambulance helicopter fleet by 2024
- Eye surgery cost support for patients in need from low-income backgrounds in Vietnam
- Financial support to Association of People with Disabilities, Victims of Agent Orange/Dioxin ("VAVA") and Social Protection of Gio Linh District, Quang Tr□ Province, Hung Ha district, and Thai Binh province

UN SDG 4 – Quality education
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

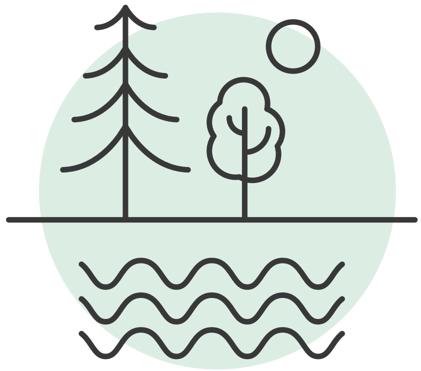
- University tuition fees and living costs support towards 7 orphans at Amalna City Association in Egypt
- One academic year tuition fees for kindergarten children from low-income backgrounds in Vietnam
- Educational support for students in Banh Trach school, Ba Be, Bac Can
- Financial support to:
  - Purchase school supplies for 90 pupils from low-income backgrounds at Long Buu Love Class in Vietnam
  - An education fund for high-achieving students from low-income backgrounds in Vietnam
  - Purchase equipment for Hop Hung Secondary School in Vietnam
  - School facilities and maintenance for Ha Trung primary school, Thanh Hoa province, Vietnam
  - Secondary and high school students at Hanoi School for the Hearing-impaired in Vietnam
  - Renovate classrooms for primary school in Tien Cau village, Hiep Cuong commune, Kim Dong district, Hung Yen province, Vietnam
  - Construction projects to build education and cultural centres in Thanh Hoa province

Overall objective
To consult with and contribute into our host communities

2023 Objectives	2023 Outcomes	2024 Objectives
Continuation of the social investment programme in Vietnam	On target	Continuation of the social investment programme in Vietnam
Social investment programmes in Egypt and London implemented	On target	Continuation of the social investment programme in Egypt and UK

CORPORATE RESPONSIBILITY REPORT - continued

Environment



We recognise the potential impacts of our business on the environment. Our Health, Safety and Environment Policy sets out our commitment to conduct all business activities in a responsible manner.

In setting the Group's corporate responsibility priorities, our objective is to protect the environment and conserve biodiversity.

Net Zero Roadmap & Emissions Management Fund

In December 2023, Pharos published its Net Zero Roadmap following its formal commitment in September 2022 to achieve net zero greenhouse gas (GHG) emissions by 2050.

The net zero roadmap, which was researched and developed by the Company in close consultation with specialist advisors and consultants, models emission reduction pathways to achieve net zero Scope 1 (direct) and Scope 2 (indirect) GHG emissions from all existing and proposed future assets by 2050 or before. Based on this modelling, the roadmap contains interim targets set against the Company's 2021 baseline year, which have been approved by the Board.

In order to realise our climate commitment to achieve Net Zero GHG emissions from all our future and existing assets by no later than 2050, Pharos prioritise reducing emissions by achieving operational efficiencies, reducing flaring and venting, replacing the power consumption of our facilities with lower emission energy sources and eventually procuring nature-based carbon offset projects for hard-to-abate, residual emissions.

More details of our climate strategy, including interim targets and the decarbonisation levers at asset-levels, can be found in our Net Zero Roadmap published in December 2023 on our website (https://www.pharos.energy/media/b55c4sqz/pharos-energy-net-zero-roadmap-2023_official.pdf).

The Group has non-controlling equity stakes in its producing assets and is predominantly non-operating. As a result, it has no direct control over the majority of its emissions inventory but it can exercise influence through the joint operating companies (JOCs) in Vietnam and Egypt in conjunction with the other JOC partners. The Company will use the net zero roadmap to continue to engage with the JOCs, partners and governments on reducing emissions where possible through the options identified. To the extent within its control, the Company will continue reducing its own emissions and remain committed to transparency in reporting and to keeping stakeholders updated on progress.

In addition, the Company established an Emissions Management Fund in September 2022. From every barrel net to the Group sold at an oil price above \$75 per barrel, a contribution of \$0.25 is made to the Fund. The current value of the Emissions Management Fund is now c.\$400,000. In line with the net zero roadmap, this Fund is available to provide financial support for emissions management projects undertaken directly by the Group or through the JOCs.

Greenhouse gas emissions ("GHG")

GHGs emissions associated with energy use and with natural gas flaring and venting are a key issue for the Group.

In 2023, we continued to monitor our emissions and disclose them in accordance with industry requirements and standards. Additionally, we also participated in the Carbon Disclosure Project ("CDP"), details of which can be found in the Business section of this report on page 66, and continue to align our disclosure with TCFD recommended disclosures, details of which can be found in our TCFD Report on page 83.

GHG reported

Pharos reports carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N2O) combined into carbon dioxide equivalent (CO_2e) based on the gases' 100-year Global Warming Potential (GWP). These three gases are produced through combustion, although N2O quantities produced via combustion is relatively small.

In addition to emissions resulting from combustion, Pharos is reporting its direct methane emissions from routine venting and has been doing so since 2021.

The other greenhouse gases, HFCs, PFCs and SF_6, are not closely associated with the petroleum industry. Their respective emitting activities are not core parts of Pharos operations. The total emission of these gases is therefore expected to be small and has not been calculated.

Emissions scope

Reported Scope 1 direct emissions comprise direct GHG emissions resulting from equipment or other sources owned (partly or wholly) and/or operated by the Company (for example, gas flaring operations and fuel gas/diesel use to generate power or for vehicle use, as well as venting). Reported Scope 2 indirect emissions comprise those arising from purchased energy already transformed into electricity, heat or steam generation. For Pharos activities, Scope 2 emissions comprise electricity supplied by the national grid in our Cairo office (Egypt) and in Ho Chi Minh City (Vietnam). Pharos is not an operator on any of our producing assets, so we do not have direct control over our oil and gas production. This is in the hands of the JOCs, each of which is staffed by experienced oil and gas professionals with strong track records of delivering responsible production. Certain Pharos personnel are seconded to senior positions in the JOCs in Vietnam, providing a degree of influence in operational planning and execution.

We recognise that Scope 3 value chain emissions can help companies have a better and more comprehensive understanding of their overall emissions footprints. Value chain emissions have also seen an increasing amount of focus from a wide variety of stakeholders. Therefore, during Q4 2023, Pharos together with our climate specialist carried out a high-level materiality assessment across our portfolio against all 15 categories listed in the GHG Protocol to understand which categories are relevant, material and reportable for Pharos. The materiality assessment took into account several factors including the relevance to oil exploration and production activities, stakeholders' views, data completeness and availability, peer groups' reporting journeys, and Pharos' ability to influence the emissions.

In light of this high-level assessment, as at year-end 2023, we have calculated emissions from Category 4 – Upstream Transportation, Category 6 – Business Travel, and Category 11 – Use of Sold Product, as defined in the GHG Protocol. Category 4 and Category 11 are highly-material categories for Pharos. Further details can be found in our TCFD Report under '4. Metrics and Targets' on page 96.

Reporting boundary

Pharos has elected to report its emissions of GHGs from Egypt and Vietnam operations on the basis of equity share.

Under equity share reporting, Pharos reports a pro-rata share of the Scope 1, 2 & 3 GHG emissions from partnerships or assets over which the Group has operational control (i.e., Vietnam Blocks 125 &126) and a pro-rata share of the emissions from partnerships or assets it does not control (i.e., Vietnam Blocks 9-2 and 16-1 and Egypt, all of which are operated through JOCs) according to its ownership interest. Since the middle of July 2021, Pharos has rented flexible six-desk office space in London. The electricity consumption from this office is not included in the figures discussed thereafter.

Pharos Energy commits to making all efforts to minimise all GHG emissions during its ongoing exploration activities in Blocks 125 & 126, where it has operational control. Where we are a joint operating partner, we seek to influence and ensure alignment with our systems to promote best practice. Where we have a minority interest, we seek to make our views heard and ensure that minimum standards are met in accordance with our commitment to the IFC Performance Standards and TCFD recommendations.

Methodology

Pharos applies the expectations set by the ISO 14064-1 standards in terms of Relevance, Completeness, Consistency, Transparency and Accuracy which are endorsed by IPIECA, the Greenhouse Gas Protocol Initiative and Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Emission factors for GHG calculations were taken from UK Government GHG Conversion Factors for Company Reporting (DESNZ, 2023), EEMS, 2008, Atmospheric Emissions Calculations, IGES List of Grid Emission Factors (Takahashi & Louhisuo, 2022) and Ecometrica, 2011. For the calculation of associated gas consumed and flared in Vietnam, the emission factors were calculated based on the carbon content of gas analysed by the Vietnam Petroleum Institute in 2024 at the CNV field, and at the gas export metering skid of TGT in November 2023 for the TGT field. For the calculation of gas consumed, vented and flared in Egypt, the emissions factors were calculated based on the carbon content of gas analysed at the North Silah Deep, North-East Tersa, South Silah and Silah Base Separators (EPRI Central Analytical Labs, 2018) as well as at the Aboud 1-3 and NBS-SW-1X well locations.

In 2023, we have again reported our GHG emissions intensity in tonnes of GHG per 1,000 tonnes of hydrocarbon produced by equity share to align with the International Association of Oil and Gas Producers ("IOGP") benchmarks.

Key sources of our emissions are from flaring and use of associated gas as fuel to generate power on our offshore production sites in Vietnam and likewise

CORPORATE RESPONSIBILITY REPORT - continued

for our onshore production in Egypt. In 2021, in addition to our emissions from combustion which had been the focus of Pharos reporting until then, we have started to report our direct methane emissions resulting from venting, and we have continued to do so in 2023. In 2023, gas fuel and gas flaring in TGT remain the largest single contributor to Pharos total emissions. Venting in Egypt represented over 15 percent of our gross emissions.

The Group's total CO_2e emissions for 2023 are 86,134 tonnes of CO_2 equivalent based on equity share (313,769 tonnes of CO_2 equivalent gross). This corresponds to a decrease of 18 percent based on equity share compared to 2022 (approximately 17 percent decrease gross). This significant year-on-year reduction in the Group's GHG emissions is the result of proactive maintenance and management of the TGT facilities with a focus on minimising event flaring and reducing overall gas flaring volumes.

Activity data pertaining to GHG emissions by the HLHVJOCs and Egypt is reported to Pharos. Telos NRG assisted with data collation and GHG emissions calculations. Verification of the 2023 GHG Emissions Report has been undertaken by RPS Consulting UK & Ireland using the principles in BS EN ISO 14064-3:2019 (the Standard) with the following limits:

- Activity data completeness, accuracy and data collection and control procedures have not been verified due to the majority of GHG emissions arising from activity in operations not under Pharos' direct operational (and data collection) control.
- Activity data from Pharos's Egypt operations is considered to have a higher risk of uncertainty.
- This is the first year that Pharos has reported selected categories of scope 3 GHG emissions. As such, it is noted that the data collection and calculation process for these emissions sources is by nature more variable than other, more established, emissions sources.
- Scope 3, category 11 data from Pharos' Egypt operations is considered to have a higher risk of uncertainty compared to other scope 3 data.
- It should be noted that petroleum companies' scope 3 GHG inventory are unique in that the use of the fuel products produced can contribute to emissions in other scope 3 categories. As such, there is by nature a risk of double counting between scope 3 categories.
- There is inherent variability and uncertainty associated with the available methods for calculation of GHG emissions from activity data; reported emissions and the verification statement should be understood in that context.

The RPS' 2023 GHG verification report is unqualified and covers all of our GHG metrics, including Scope 3 emissions.

Approaches to reducing emissions

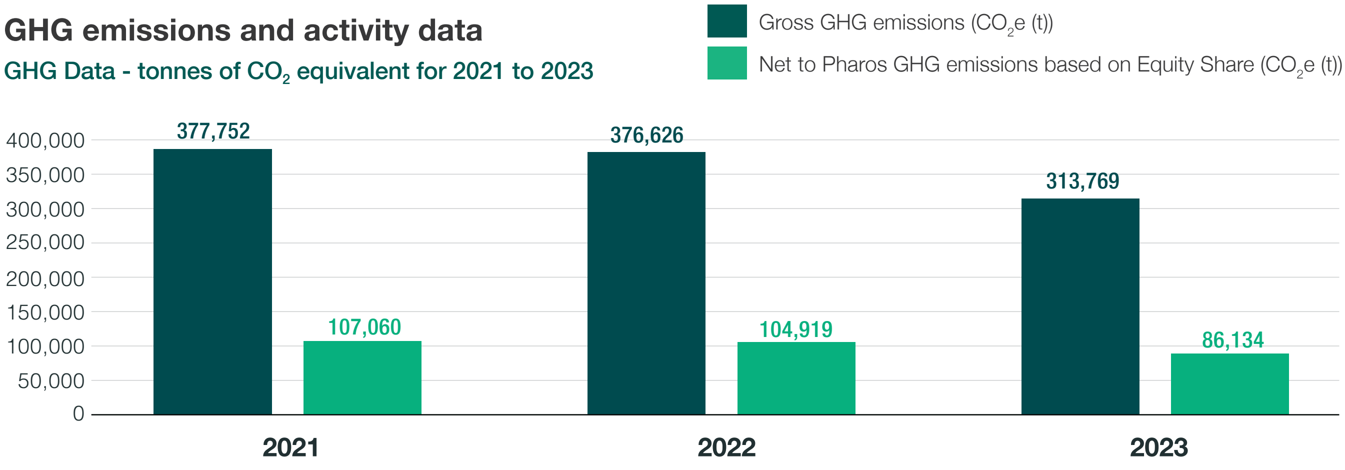
In Vietnam, we continue to manage gas flaring by carefully monitoring and optimising the processing facilities in the TGT FPSO. The focus for the next year will be on deploying equipment to monitor combustion efficiency of our flares and on exploring opportunities and technologies to reduce gas venting in Egypt, which can potentially reduce our Scope 1 emissions while also resulting in economic gains, such as increased used of gas generators at well sites and further deployment of flare stacks, among other gas utilisation opportunities. In terms of energy efficiency, the usage of a WeWork office is an initiative to reduce both our cost base and our energy usage. This is a continuation of our energy-saving initiative from the previous year.

Annual Environmental Measurements - in accordance with the requirements of the Egyptian Environmental Law 4 for year 1994, the Company carried out annual environmental measurements, and all environmental measurements resulted in less than the threshold limit in the law.

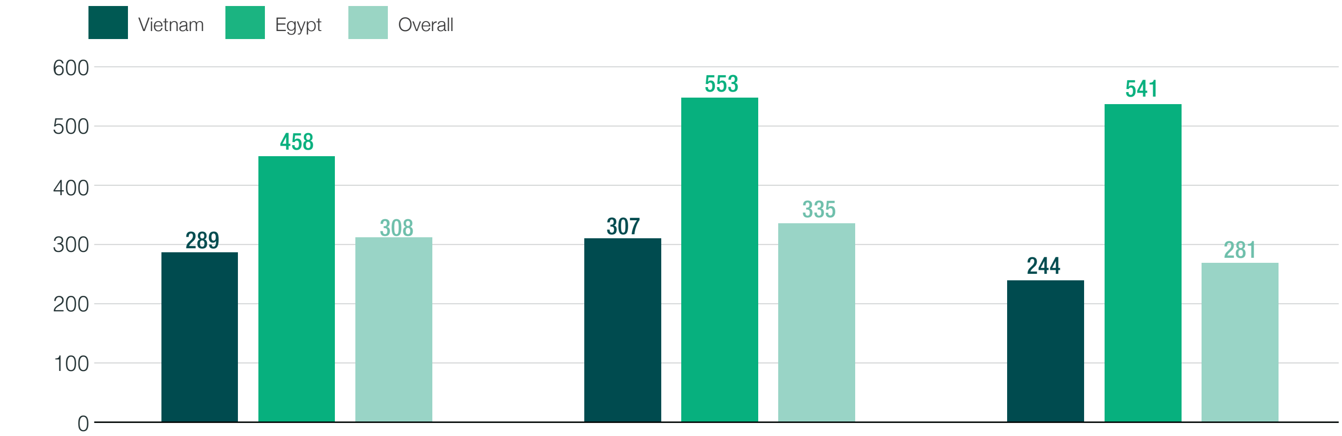
Environmental permit non-compliances - the company achieved zero Legal Environmental Violation during 2023 and did not obtain any violations from the Environment Authority in Egypt in 2023. The Company obtained 3 Environmental Approvals from the Ministry of Environment during 2023.

GHG emissions and activity data

GHG Data - tonnes of CO_2 equivalent for 2021 to 2023

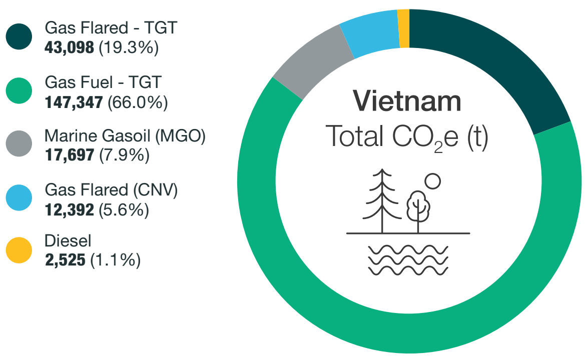


Carbon intensity of production (tCO_2e per 1,000 tonnes of oil equivalent produced)

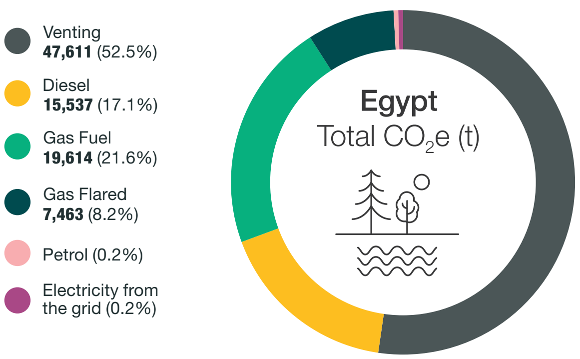


Charts: Scope 1 and 2 emissions from the Group's operated and joint-operated projects on an equity share basis calculated pro-rata to its ownership interest.

Greenhouse Gas Emissions Contributors (Total CO_2e (t)) for 2023 – Vietnam (Based on total field emissions)



Greenhouse Gas Emissions Contributors (Total CO_2e (t)) for 2023 – Egypt (Based on total field emissions, including venting)



In 2023, 17 tonnes of gas were flared for every 1,000 tonnes of total hydrocarbon production from Group assets on a net equity share basis. This is a significant reduction from 35 tonnes in 2022.

CORPORATE RESPONSIBILITY REPORT - continued

Venting

Routine venting emissions have been included for the third year in GHG Report in 2023. Routine venting only occurs in Egypt. Although there is no routine venting in Vietnam, accidental leaks can occur. In addition, some activities do occasionally require depressurisation of differing process systems. In these instances, the system(s) will be isolated, and depressurised to as low as possible, and then drained to a closed drain tank. A minor amount of gas commingled with liquid will evacuate out through cold vent line to a safe area. Associated emissions are negligible (53 tCO_2e) but for the sake of completeness have been included within the report for 2023.

In 2023, the amount of associated gas used as fuel in gas generators in Egypt was 209 mmscf, which resulted in 19,614 tCO_2e (gross). However, had this associated gas been vented it would have resulted in additional emissions in the order of 63,586 tCO_2e, or 20% of the Group's total emissions on a gross basis.

The Group's energy use from grid electricity was 330,552 kWh in 2023 for overseas offices in Egypt and Vietnam. In 2022, the Group's energy use was 323,492 kWh. Since the middle of July 2021, Pharos has rented a flexible six-desk office space in London, the electricity consumption of which is not included in the report.

Effluents and waste

During 2023, Pharos maintained its record of no spills into the environment in Vietnam. In Egypt, there were two environmental spills as follows:

Date	Location	Description	Estimated Quantity (bbls)
February 2023	Egypt - El Fayum fields to Suez oil processing company	A crude oil shipping vehicle encountered crude oil on the desert road, which caused it to lose balance and overturn, causing damage to the tank and a partial spill of the oil cargo. No injuries were reported.	200
March 2023	Egypt - El Fayum fields to Suez oil processing company	During transportation a crude oil shipping vehicle in the convoy accidentally crashed into another one from behind, causing a rupture in the valves which resulted in the loss of the crude oil cargo. No injuries were reported.	392

All spillage incidents during the year were investigated and lessons learned as appropriate and actions to prevent recurrence were implemented.

Water is extracted along with hydrocarbon reservoir fluids as part of normal production operations; in Egypt, water is also withdrawn from deep saline aquifers and injected into hydrocarbon-bearing formations to enhance production. In 2023 we generated 6.6 million cubic metres of produced water. In Vietnam, the produced water is cleaned by separating the hydrocarbon phase before discharging to the sea in line with national standards.

In Egypt, our produced water is all disposed of in disposal wells. The company has three Produced Water Treatment Facilities (PWTF), two of them are in-service at the gathering stations (GS) in Silah and North Silah Deep (NSD) and the third is yet to be used at North East Tersa. The produced water is being collected in both PWTF (Silah & NSD) and then disposed of by injecting it into the Abu Roash "E" formation through disposal wells at each location (approximately 5,000 bbls/d of water disposed into SILAH-15 & and 6,500 bbls/d of water into NSD-1-1).

In Vietnam, waste is generated from both our production operations as well as from our offshore drilling activities. Drilling waste includes cuttings, used oil and other materials. We work to recycle as much non-hazardous waste as possible. We have a third-party contract for the disposal of hazardous waste, with a reporting system into the specific Vietnamese authorities for checking, audit, and approval. In Egypt, waste generated is segregated into hazardous and non-hazardous waste and disposed of in a licensed facility.

Freshwater is used to support our operations. In 2023, freshwater consumption for both Vietnam and Egypt amounted to 66,588 cubic metres. Our use of freshwater has decreased by 6 percent compared to 2022, due to a reduction in drilling activity carried out through the year.

Tonnes (t) of CO_2e equivalent for 2023 Operations

Country	Reported operations	Operational phase	CO_2e (t)		CO_2e (t) per 1000 tonnes of hydrocarbon produced by equity share[3]	
			Overall[1]	Based on equity share[1,2]	Per field	Per country
UK	Rented flexible office space - not reported	Administration (office – electricity usage)	-	-	-	-
Israel		No activity	-	-	-	-
Egypt	Office	Administration support for exploration	310	71	-	-
	El Fayum Concession	Production	87,616	20,029	541	541
		Field development	2,685	614		
Vietnam Cuu Long Basin (offshore)	Office	Administration (electricity usage)	2	2	-	-
	Blocks 125 & 126	Seismic exploration	0	0	-	-
	Block 9-2 – Ca Ngu Vang (CNV) field	Production	14,698	3,675	59	244
		Field development	3,591	898	-	
	Block 16-1 – Te Giac Trang (TGT) field	Production	204,867	60,845	302	
		Field development	0	0	–	
		Total	**313,769**	**86,134**	**281**	

1) Figures include rounding to the nearest whole number.

2) Under equity share, Pharos reports a share of the emissions from the partnerships pro-rata its ownership interest.

3) GHG emission intensity is calculated, per field, and at country level, based on equity share, and gross/net boepd produced in 2023 in the CNV and TGT fields as well as in El Fayum and North Beni Suef Concessions. Conversion from BOE to TOE is based on the following factor: 1 toe = 7.59 boe for El Fayum, 1 toe = 8.68 boe for CNV and 1 toe = 7.32 boe for TGT.

Biodiversity

The Group's Biodiversity and Conservation Policy commits us to meet the objectives of the Convention on Biological Diversity (1992). We identify whether a project is located in modified, natural or critical habitats, or a legally protected or internationally recognised area; and whether the project may potentially impact on, or be dependent on, ecosystems services over which Pharos has direct management control or significant influence. In Egypt, the El Fayum Concession borders the multiple-use management area and the natural protectorate area of Lake Qarun which includes important bird habitats. It is adjacent to the Wadi El Rayan protected area, which includes the Wadi Al-Hitan World Heritage Site. In Vietnam, Blocks 125 & 126 are approximately 50km offshore to the Nha Trang Bay Protected Area and the Thuy Trieu Marine Protected Area. Consistent with the Biodiversity and Conservation Policy, Pharos does not operate in any UNESCO designated World Heritage Site and ensures that activities in buffer zones around these sites do not jeopardise the Outstanding Universal Value (as defined by UNESCO) of these sites.

In Vietnam, safe practices were adhered to ensure the surrounding environment is protected at all times:

- The oil in water content of produced water were continuously monitored
- Hazardous wastes have been strictly managed, with hazardous wastes manifests completed and submitted to the relevant authorities
- All waste waters and sewage generated on the drilling rigs, supply vessels and FPSO have been treated before discharge
- All solid wastes were collected, segregated and transported to shore and sent to the appointed contractors who provided waste treatment system

In Egypt, similar safe practices were in place:

- For normal waste, handling and disposal was undertaken in compliance with applicable environmental law and regulatory requirements, involving contracting with local units.
- Handling, transportation and disposal of hazardous waste was undertaken as follows:
  - solid hazardous waste to approved governmental landfill in El Nasrya in Alexandria
  - liquid and solid hydrocarbon waste to approved landfill by contractor Petrotrade
  - water-based mud cutting waste to the Fayum Governorate landfill

An annual environmental monitoring was conducted over Petrosilah work locations by IMS Company to assess compliance with applicable environmental law and regulation.

We are committed to developing site-specific biodiversity action plans in the event that operational sites are within sensitive areas, incorporating country-specific strategies and action plans and working in association with external advisers to ensure that best practice conservation priorities are achieved.

CORPORATE RESPONSIBILITY REPORT - continued

Non-Financial KPIs (HSES)

KPI	Target - 2023	2023	2022	2021
Spills to the environment*	0	**2**	1	3

* Number of spills reported (quantities greater than 100 litres).

KPI	Target	2023	2022	2021
Solid non-hazardous waste produced (tonnes)	Set per project	**100**	109	111
Percentage of non-hazardous waste reused or recycled	Set per project	**14**	15	24
Solid hazardous waste (tonnes)	Set per project	**69**	60	48
Percentage of hazardous waste reused or recycled	Set per project	**5**	11	<1

Overall objective

To protect the environment and conserve biodiversity

2023 Objectives	2023 Outcomes	2024 Objectives
Obtain all necessary environmental permits for all drilling programmes / seismic studies.	All necessary permits for our 2023 field development operations were obtained successfully.	Obtain all necessary environmental permits for all drilling programmes / seismic studies.
Improve methane emissions management and reporting.	In progress. Pharos has been reporting methane emissions from venting following established industry procedures. In 2023 we introduced mobile gas measurements in certain areas of El Fayum to improve the reliability of our reporting.	Improve methane emissions management and reporting.
Carry out further feasibility studies / cost benefit analysis on CO_2 reduction technologies.	Several technologies for reduction the GHG emissions intensity of our assets have been identified. We are working with all stakeholders on the best approach to implement those deemed most suitable.	Carry out further feasibility studies on CO_2 reduction technologies and implement those options deemed suitable for our assets.
Produce Net Zero GHG emissions roadmap.	Completed. Net-zero roadmap published on 6 December 2023.	Continue alignment with TCFD disclosure & reporting. Annual review and update of Net Zero roadmap.

Corporate Responsibility Non-Financial Indicators

	2023	2022[3]	2021[3]
Hours worked (million)	3.59	3.35	3.17
Lost Time Injury Frequency Rate (number of lost time injuries per million man-hours)	0	0.3	0
Fatal Accident Frequency Rate (number of fatal accidents per hundred million man-hours)	0	0	0
Fatal Accidents	0	0	0
Total Recordable Injury Rate (number of recordable injuries per million hours worked)	0	0.6	0
Total Scope 1 & 2 GHG emissions (tCO_2e) by equity[2]	86,134	104,919	107,060
Scope 1 total GHG emissions (tCO_2e) by equity	86,094	104,881	107,023
Scope 2 total GHG emissions (tCO_2e) by equity	40	38	37
Total Scope 3 GHG emissions (tCO_2e) by equity[2]	747,978	-	-
Scope 3 GHG emissions (tCO_2e) by equity – Business Travel	271	-	-
Scope 3 GHG emissions (tCO_2e) by equity – Upstream Transportation	1278	-	-
Scope 3 GHG emissions (tCO_2e) by equity – Use of Sold Product	746,429	-	-
GHG intensity by production (tonnes of CO_2e per 1,000 tonnes of hydrocarbon produced by equity share)	**281**	335	308
Total hydrocarbons flared (Tonnes of hydrocarbons flared for every 1,000 tonnes of production on a gross basis)	**17**	35	32
Energy use (grid electricity kWh)	**330,552**	323,492	311,692
Total energy consumption (from fuel combustion, other operations and purchased electricity) in MWh[1]	**236,972**	247,960	260,111
Non-hazardous waste produced (tonnes)	**100**	109	111
Hazardous waste produced (tonnes)	**69**	60	48
Percentage non-hazardous waste recycled	**14**	15	24
Percentage hazardous waste recycled	**5**	11	<1
Spills to the environment (>100 litres)	**2**	1	3
Oil in produced water content (Vietnam Blocks 16-1/9-2)	**28**	28	28
Freshwater use (cubic metres)	**66,588**	70,582	58,525
HSES regulatory non-compliance	**0**	0	0
Community investment spend ($)	**247,373**	198,600	265,000

1) In line with the UK government's Streamlined Energy and Carbon Reporting (SECR) policy, energy consumption from fuel combustion

2) Under Section 385(2) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations, 2013 and in line with the requirements of the Climate Change Act (2008), carbon reporting for UK-listed companies in Directors' Report is mandatory for reports published after 30th September 2013. The regulations cover the six Kyoto Protocol GHG cited in Section 92 of the Climate Change Act: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6). The Companies Act 2006 regulation does not state which methodology a company has to use but requires that this methodology is clearly disclosed.

3) On 21 March 2022 Pharos revenue entitlement in Egypt decreased from 42.6 to 22.86 percent. According to section 5 of the GHG protocol on base year recalculation following an acquisition, GHG emissions for the years 2022 and 2021 have been recalculated using this entitlement figure.

TCFD REPORT

TCFD index table

	Recommended disclosures	Status	Disclosure location
Governance	a) Describe the board's oversight of climate-related risks and opportunities		• Corporate Responsibility Report, page 63 • Chair's Statement, pages 16-17 • ESG Committee Report, pages 114-116 • Audit and Risk Committee Report, pages 120-125 • Remuneration Committee Report, pages 126-142 • TCFD Report, under 1. Governance, page 85
	b) Describe the management's role in assessing and managing climate-related risks and opportunities		• Risk Management Report, pages 48-53 • Corporate Responsibility Report, page 63 • Section 172 (1), pages 36-39 • TCFD Report, under 1. Governance, page 85
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		• Viability Statement, pages 60-61 • Risk Management Report, pages 48-59 • TCFD Report, under 2. Strategy, pages 86-95
	b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning		• TCFD Report, under 2. Strategy, pages 86-95 • Viability Statement, pages 60-61
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario		• TCFD Report, under 2. Strategy, pages 86-95 • Viability Statement, pages 60-61
Risk Management	a) Describe the organisation's processes for identifying and assessing climate-related risks		• Risk Management Report, pages 48-59 • TCFD Report, under 3. Risk Management, page 96
	b) Describe the organisation's processes for managing climate related risks		• Risk Management Report, pages 48-59 • TCFD Report, under 3. Risk Management, page 96
	c) Describe how processes for identifying, assessing, and managing climate-related risks integrated into the organisation's overall risk management		• Viability Statement, pages 60-61 • Risk Management Report, pages 48-59 • TCFD Report, under 3. Risk Management, page 96
Metrics & Targets	a) Disclose the metrics used by the organisations to assess climate-related risks and opportunities in line with its strategy and risk management process		• TCFD Report, under 4. Metrics & Targets, pages 95-96
	b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks		• Corporate Responsibility Non-Financial Indicators, page 82 • TCFD Report, under 4. Metrics & Targets, pages 95-96
	c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets		• TCFD Report, under 4. Metrics & Targets, pages 95-96 • Remuneration Committee Report, pages 126-142

Climate action at Pharos Energy

As an oil and gas company, we support the need for more consistent and comparable disclosure around climate-related risks and opportunities. The following pages align with 10 out of 11 recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) and provide greater insight into our approach to assessing and managing the financial risks associated with climate change. We have included a TCFD index on page 83 as a quick overview of our TCFD disclosure.

As at year end 2023, Pharos consider ourselves not to be fully aligned with one TCFD recommendation: Metrics & Targets b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks. For 2023, the Group discloses its Scope 1 and Scope 2 greenhouse gas emissions and three Scope 3 categories, two of which have high materiality for Pharos. While the Group conducted materiality assessment against all 15 Scope 3 categories during the year as recommended by the TCFD guidelines, we are not able to report other relevant categories of Scope 3 emissions due to limitations of data collection and methodology. As Pharos is in early stages of our Scope 3 reporting journey, we expect our reporting methodology as well as the availability and reliability of required data to improve over time, and we intend to integrate applicable improved data into our GHG reporting as it becomes available. We expect to be fully compliant with Metrics & Targets b) in the next three years.

Approach:

- Adopt an integrated approach
- A cyclical process

Benefits:

- Demonstrates awareness of growing importance of climate-related issues to key stakeholders
- Staying ahead of mandatory disclosure requirements, focusing on efficiencies

TCFD REPORT - continued

1. GOVERNANCE

Pharos have a multi-layered governance structure that aligns our operating model with our climate and corporate responsibility ambition.

The Board takes overall responsibility for our Net Zero ambition, climate strategy and climate-related risk and opportunities. The Board ensures Pharos maintain a robust climate risk management and internal control systems, including high-level responsibility for setting and monitoring the company's GHG emissions reduction targets and climate ambitions. The Board has oversight of climate-related risks and opportunities and ensures climate-related considerations are embedded in our decision-making, including the application of strict financial discipline, such as our internal carbon price curves used in going concern and viability stress test scenarios, across all business decisions. At the project level, the assessment of climate-related risks and opportunities is an integral part of each exploration & development project. For example, in developing the Group's Net Zero Roadmap in December 2023, the Board has taken into consideration how investment in the development of future business assets may affect our Net Zero by 2050 ambition and how the Emission Management Fund can be utilised in decarbonisation opportunities. Through the Remuneration Committee, the Board ensures climate performance, including GHG emissions performance against our net zero target of 5% reduction by 2026 as part of our Net Zero Roadmap, is embedded in the corporate KPI.

Pharos has integrated management responsibilities into various business and functional areas, to which the Board delegates the corporate responsibility monitoring to the following Committees:

- **The ESG Committee** oversees the Group's management and compliance with climate-related reporting and disclosure requirements, as well as assists the Board in defining and implementing the Group's corporate responsibility strategy.
- **The Audit & Risk Committee** ("ARC") oversees all principal and emerging risks in our risk management process, in which climate risk is considered a principal risk. The ARC monitors the methodologies used to test the going concern and viability resilience of our business and determine potential financial impacts of the Group's principal risks, including climate risk. It also oversees the adequacy and effectiveness of our policies, standards and management system for HSES.
- **The Remuneration Committee** oversees the level of management incentives attached to improvements in climate-related performance in order to further encourage action on this agenda.

For each Committee's Terms of Reference (ToR), please visit www.pharos.energy/about-us/governance/committees/.

Climate-related matters, as well as progress against our corporate responsibility performance and Net Zero ambitions, are reviewed and discussed at each committees meetings. Information is then communicated back to the main Board for consideration when they review the Group's strategy at each scheduled Board meeting. In 2023, the ESG Committee met four times, and the Audit & Risk and Remuneration Committees met three times each.

Below Board and Committee-level, our Chief Executive Officer and Chief Financial Officer manage our climate progress and are responsible for the delivery of our Net Zero strategy. To support the Executives in their delivery, a Net Zero Working Group was formed in May 2022, with support from functional and operational representatives such as Reservoir Engineer, Investor Relations, Risk Manager, and Exploration Manager to drive progress on our strategy. The Net Zero Working Group reports to the Executives once every month, who in turn reports to the relevant Committees and the Board every quarter.

The Board takes an active approach to ensure its members are aware of key climate matters relevant to Pharos and the broader energy sector. In 2023, the Board invited an ESG and sustainability advisor to its Strategy Day meeting in November to educate Board members on key issues regarding industry's expectation on Net Zero commitment, GHG Scope 1,2,3 disclosures across peers, emerging climate regulatory trends, and risks and opportunities for the energy industry in general and Pharos in particular. The session was a key avenue for informing the Executive and Non-Executive Directors' consideration of climate-related matters and Pharos' Net Zero ambition in strategic planning and risk management activities

2. STRATEGY

Our climate strategy

In order to realise our climate commitment to achieve Net Zero GHG emissions from all our future and existing assets by no later than 2050, Pharos prioritise reducing emissions by achieving operational efficiencies, reducing flaring and venting, replacing the power consumption of our facilities with less impactful energy sources and eventually procuring nature-based carbon offset projects for hard-to-abate, residual emissions.

More details of our climate strategy, including interim targets and the decarbonisation levers at asset levels, can be found in our Net Zero Roadmap published in December 2023 on our website (https://www.pharos.energy/media/b55c4sqz/pharos-energy-net-zero-roadmap-2023_official.pdf). This Roadmap was researched and developed by the Company in close consultation with climate specialist advisors and ESG consultants.

We are committed to transparency in our climate-related disclosure and reporting. We strive to achieve a balance of delivering value to all stakeholders via cash returns and organic growth while minimising climate-related impacts on our long-term business model. Our purpose is to provide energy security for host countries in which we operate and help local government achieve their economic development goals and prosperity using oil revenues from our operations.

Our net zero fundamentals

Scope 1&2
Our target covers our Scope 1 and 2 emissions

All assets
All our current assets are included in the target

All GHGs
All greenhouse gases are included in the target

Future assets
All future assets are also covered by the target

Carbon removal
For 20-40% that is hard-to-abate we remove carbon

Identifying climate-related risks and opportunities

Our business strategy is focused on generating sustainable value from our producing and development assets, including an infrastructure-led exploration approach to identify new resources near existing infrastructure. The Board holds an annual review of our corporate strategy, which incorporates an assessment of our current portfolio to inform forward-looking plans to ensure the business maintains its resilience and is positioned for growth. Furthermore, in Q4 2023, Pharos with the support of a TCFD consultant undertook a scenario analysis exercise to assess the impact of these physical and transitional risks and opportunities on our portfolio. Based on these scenario analyses, Pharos then had internal discussions with our finance and commercial team, risk manager and reservoir engineer to assess the materiality of these climate-related risks based on timeframe, severity and likelihood rating, details of which can be found in this report. For example, risks that have a low likelihood rating are still deemed to be material if their severity are considered to be moderate or above in the short or medium term, and vice versa. The scenarios helped the Company to better understand and assess the impact of possible shifts in the macroeconomic outlook, technology developments, policy and legal implications, and the projected future demand for our products.

Internally, our approach to identifying risk is consistent with all other principal and emerging risk, which is through a well-established Risk Management Framework and is informed by a wide range of information sources and regularly reviewed by relevant risk owners. More information on the Risk Management Framework can be found in our Risk Management Report on pages 48 to 59. In addition to the above framework, for climate-related risks, the Company also use scenario analyses to help us identify and assess the size, scope and significance of climate-related risks and opportunities relative to other risks in the matrix. Our approach to identifying climate-related risks and opportunities will continue to evolve as the depth of understanding grows across our organisation. We continue to embed consideration of transition and physical risk exposure in our business planning and decision making.

The risk rating for each scenario is based on Likelihood (L) multiplied by Severity (S), aggregated across all three time periods with the following weightings: for likelihood, short-term (0-3 years) 40%; medium-term (3-5 years) 30%; long-term (5-10 years) 20%. The weightings reflect the diminishing level of confidence associated with longer term projections. The results of these risk rating and weighting assessments helped Pharos identify the impact of these risks and which area of operations may be affected, details of which can be found in this report.

We have aligned our climate-related risks and opportunities with our cross-industry metrics and targets in 4. Metrics and Targets on page 96. For example, the Emissions Management Fund reflects the capital available to be invested in emission reduction projects to mitigate the impact of transition risks, such as carbon pricing, and to utilise low-carbon transition enabling technology opportunities. Risk of restrictions on use of carbon intensive assets is considered when we calculate the anticipated financial impact to the business. Additionally, our CO_2 emissions performance metrics are directly linked to the targets in our Net Zero Roadmap. Emissions reduction incentives are part of all employees' and directors' remuneration and annual bonus schemes, further incentivising our emission reduction efforts.

TCFD REPORT - continued

Assessing the impact of transition and physical risks on our business

1) Transition risks & opportunities

The most material transition risks and opportunities facing Pharos have been identified through literature review and discussions with our TCFD consultant as well as other commercial, risk and operational Pharos colleagues. The potential impacts of these transition risks and opportunities are assessed under two different emissions scenarios, in the short-, medium- and long-term (0-3 years, 3-5 years and 5-10 years respectively) and based on timeframe, severity and likelihood rating. We consider medium terms to be 3-5 years, as our most cash-generative asset in Vietnam, if not granted the licence extension, would expire in 2026 and 2027. We consider long-term to be 10 years, as our producing licences in Vietnam are currently due to expire within the next 10 years. This assessment, conducted in Q4 2023, has enhanced the Group's overall strategic decision-making process and tests the resilience of its business strategy against different possible futures.

The two scenarios considered in this assessment were:

- Net-Zero Pathway: based on the IEA's Net Zero Emissions by 2050 Scenario (NZE), assumes that there is rapid implementation of policies that reduce global carbon emissions. We have chosen this scenario for this assessment as it aligns with the objectives of the Paris Climate Agreement and limits warming to 1.5°C.
- Stated Policies Scenario (STEPS): we have chosen this scenario as it provides a more conservative view of the future compared to NZE, in which only current and planned policies are enacted, and fossil fuels play a greater role in the energy system, and society more widely, for longer. According to the IEA, under STEPS, warming is projected to reach almost 2.5°C by the end of the century.

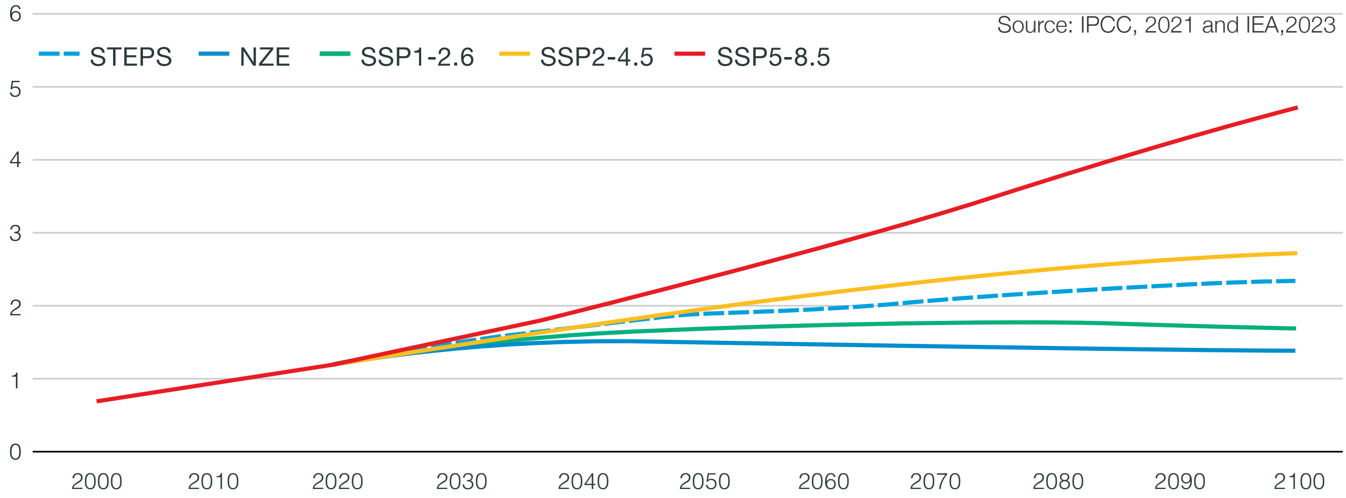
For the purposes of these assessments, the Net-Zero transition pathway (NZE) assumes a surge in clean energy policies and investment and that all current net zero pledges are achieved, following significant efforts to realise near-term reductions. At the same time, carbon prices are introduced in all regions, albeit at varying levels for different countries and sectors. As part of governmental efforts to decarbonise the energy sector, government policy and industry initiatives are focusing on CO_2 emissions from production as well as incentivising alternative low-carbon solutions. By 2030 NZE assumes the share of fossil fuels in primary energy demand declines from 80% over the last two decades to 62%. Under NZE, oil and gas prices decline rapidly to the costs of the marginal project required to meet falling demand: c.40 USD/barrel for IEA crude oil in 2030, before declining further to c.20 USD/barrel in 2050. For STEPS, this scenario assumes that Electric Vehicles (EVs) account for around 40% of car sales by 2030 (compared with 15% in 2023) and that deployment of solar PV doubles by 2030. In the same timeframe, STEPS assumes the share of fossil fuels in primary energy demand declines from 80% over the last two decades to 73%.

Related to this, there is a slight but steady decline in oil demand from the late 2020s, with falling supply from existing fields keeping pricing relatively steady – by 2030 IEA crude reaches 85 USD/barrel under STEPS.

We consider our business resilient when it can endure stress-testing under the IEA's Net Zero Emissions by 2050 scenario while continuing its operations. Key drivers of the Group's resilience include operational stability and the ability to meet production guidance, as well as mitigations against the transition and physical risks outlined below. Of the scenarios considered in our Transition Risk Assessment, only the Net Zero Emissions (NZE) scenario matched the objectives of the Paris Climate Agreement of limiting warming to "well below 2°C". Therefore, we continue to stress test the going concern and viability resilience of our business using the NZE. These sensitivity analyses are conducted bi-annually and form a crucial part of our financial planning process. We believe that the NZE price curve has already incorporated carbon tax considerations into its price deck. Although there are currently no carbon tax policies in Egypt and Vietnam, our sensitivity test assumed a carbon tax to be effective from 2025 at \$20/ tonne CO_2 gradually increasing to \$40/tonne CO_2e at 2030. More information on our Going Concern and Viability Statement can be found on pages 60 to 61, and 166 to 167.

We aim to regularly review and enhance our processes and standards to help them reflect the potential impacts of climate change. We continue to maintain a watching brief as both compliance-based and voluntary carbon pricing mechanisms evolve.

Global temperature (relative to 1850-1900) in °c



The risks and opportunities are assessed using a system that assigns a rating of the perceived severity and likelihood of occurrence under the Net-Zero Emissions Pathway and STEPS, with input from Pharos's internal risk register and risk management framework. Analysis of the current political context in key regions and key global trends is also used in the assessment. With respect to the energy transition, and the risk assessment undertaken by Pharos, four global trends have been identified that are pertinent to our areas of operation, Egypt and Vietnam, helping to inform the analysis and the risk and opportunity ratings in this report:

- Affordability and security will determine approaches to energy transition
- Carbon capture, utilisation and storage (CCUS) and carbon markets increasingly moving to the forefront
- Greater grid investment is required to serve effective renewables power markets
- Developing countries collectively demand greater financial assistance to achieve climate goals

Severity	Likelihood	Timeframe
Severe - **E**	Very unlikely (<15%) -**1**	Short-term (**0-3 years**)
Major - **D**	Unlikely (15-40%) - **2**	Medium-term (**3-5 years**)
Moderate - **C**	Medium likelihood (40-60%) - **3**	Long-term (**5-10 years**)
Minor - **B**	Likely (60-85%) - **4**	
Low - **A**	Very likely (>85%) - **5**	

Transition risks

Risk & description	**1. Commodity prices:** Oil and gas price volatility		
Impact	• Increased costs due to shifts in supply and demand for resources. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Short term: **0**	Medium term: **0**	Long-term: **$39.1m** (1)
Timeframe, Severity & Likelihood	Short term: **D3**	Medium term: **D4**	Long term: **D5**
Business area impacted	Operations, Supply Chain, Manufacturing		
Methodology	• Analyse historical trends in oil and gas prices. • Evaluate geopolitical factors impacting supply. • Assess supply chain vulnerabilities in sourcing raw materials. • Conduct stress testing on cost structures under various price scenarios.		
Mitigations	• Oil commodity hedging • Close monitoring of business activities, financial position cash flows • Control over procurement costs / effective management of supply chains • Stress test scenarios and sensitivities via principal compound risk analysis, results of which can be found in Note 4 on page 166 • Capital discipline with focus on controlling and managing costs • Discretionary spend actively managed • Maintain and cultivate good relationships with lenders		

TCFD REPORT - continued

Risk & description	**2. Restriction of use of carbon intensive assets:** Countries may place caps on imports / use of carbon intensive fuels and energy / carbon intensive products (e.g. through EU's Carbon Border Adjustment Mechanism)		
Impact	• Depreciation of carbon-intensive assets and stranded investments. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Short term: **0**	Medium term: **$3.4m**	Long term: **$10.7m** (2)
Timeframe, Severity & Likelihood	Short term: **C3**	Medium term: **D4**	Long term: **D5**
Business area impacted	Upstream Operations, Asset Management, Finance		
Methodology	• Conduct a thorough risk assessment on regulatory changes affecting carbon-intensive assets. • Estimate asset depreciation under different regulatory scenarios. • Evaluate potential stranded assets through scenario analysis. • Stress test asset valuations based on evolving environmental regulations.		
Mitigations	• Egypt and Vietnam both have plans to increase the proportion of gas, and decrease the proportion of oil, in the energy mix. Therefore, this risk will have an impact on all of Pharos' assets. • However, Pharos believes this risk remains moderately unlikely in the 5 to 10-year timeframe, as it would take time for Vietnam and Egypt to completely phase out oil and gas. According to S&P, although Vietnam is one of East Asia's rare crude suppliers capable of producing more than 300,000 bopd, the country with a population of close to 100 million has a total refining capacity of around 350,000 bopd, which is only enough to cover just about half the country's oil products and chemicals demand. • Additionally, 100% of our products are sold and consumed locally, which reduces the impact & likelihood of this risk in the short and medium term. • Our mitigating actions include managing our carbon footprints through flaring and venting reduction; exploring decarbonisation technologies to achieve our emission reduction interim targets as detailed in our Net Zero Roadmap; utilising the Emissions Management Fund; and engaging in regular conversations with lenders to understand their ESG concerns and requirements.		

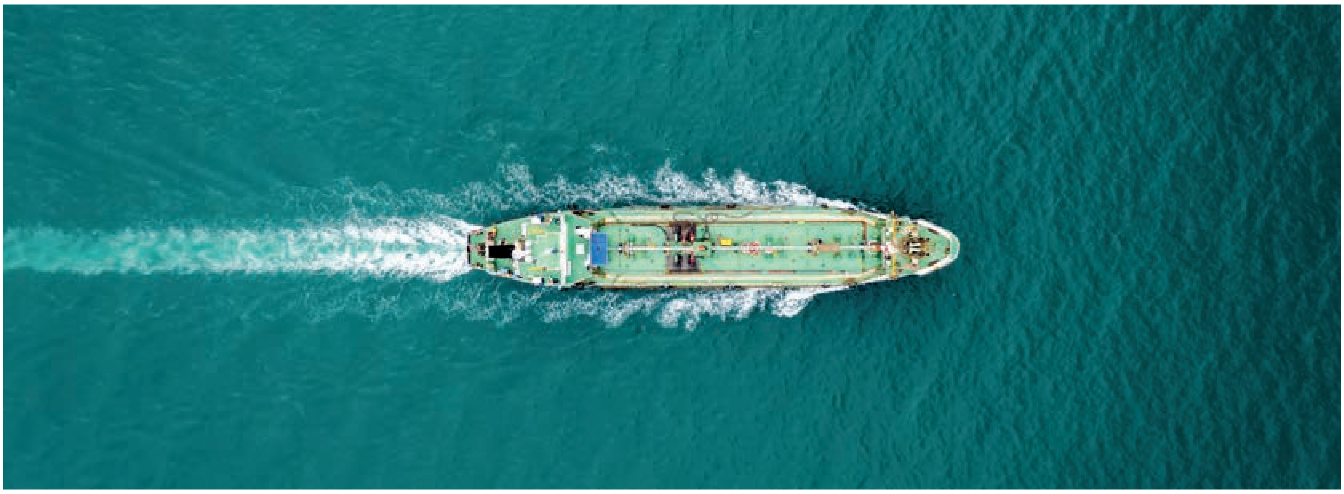
Risk & description	**3. Lack of portfolio diversification:** Transition towards low-carbon economy will see a reduced demand for oil		
Impact	• Increased vulnerability due to concentrated investments. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Short term: **0**	Medium term: **0**	Long term: **$39.1m** (1)
Timeframe, Severity & Likelihood	Short term: **C3**	Medium term: **C4**	Long term: **D4**
Business area impacted	Finance, Investment Strategy		
Methodology	• Conduct stress testing on portfolio performance under different market conditions. • Consider calculating the cost of diversification under opportunities.		
Mitigations	• While this risk may have a major impact on the viability of the business, the likelihood of completely phasing out oil and gas usage in Vietnam and Egypt will have a longer time horizon than 5 to 10 years. • Additionally, 100% of our products are sold and consumed locally, which reduces the impact & likelihood of this risk in the short and medium term. • To mitigate the impact of this risk in the medium to long term, Pharos is exploring options towards investment in low-carbon technology, as part of our Net Zero Roadmap.		

Risk & description	**4. Accelerating electrification:** of the transport and heating sectors, and advancements in plastic recycling could result in lower demand for hydrocarbons in the long term		
Impact	• Increased demand for electrification solutions and grid upgrades. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Short term: **0**	Medium term: **0**	Long-term: **$39.1m**[(1)]
Timeframe, Severity & Likelihood	Short term: **C3**	Medium term: **C4**	Long term: **D4**
Business area impacted	Technology, Energy, Infrastructure		
Methodology	• Analyse market trends in renewable energy and electrification. • Model the costs associated with potential infrastructure upgrades (rig electrification). • Conduct scenario analysis on electrification adoption rates and technology advancements.		
Mitigations	• Similar to our analysis above, Pharos believes this risk remains moderately unlikely in the 5 to 10-year timeframe. • Our mitigating actions include managing our carbon footprints through flaring and venting reduction, exploring decarbonisation technologies to achieve our emission reduction interim targets as detailed in our Net Zero Roadmap, utilising the Emissions Management Fund, and engaging in regular conversations with lenders to understand their ESG concerns and requirements.		

Risk & description	**5. Carbon pricing:** Increased price of carbon through national and international schemes		
Impact	• Financial impact due to costs associated with carbon emissions pricing. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Short term: **0**	Medium term: **$3.4m**	Long term: **$10.7m**[(2)]
Timeframe, Severity & Likelihood	Short term: **C1**	Medium term: **D3**	Long term: **D4**
Business area impacted	Operations, Regulatory Compliance, Finance		
Methodology	• Assess current and potential future carbon pricing mechanisms in relevant jurisdictions. • Utilise commercial models to access potential cost burden of operational emissions, using carbon prices from different scenarios and timeframes. • Undertake stress testing on financial resilience using different carbon price points. • Assess potential financial benefits of emission reduction initiatives and participation in carbon credit markets.		
Mitigations	• By 2030, SDS assumes that developing countries and emerging economies with Net Zero pledges will have implemented an effective carbon price of $40 per tonne CO_2. Under STEPS it is assumed that operations in Egypt and Vietnam will not be subjected to a carbon price within five years. • Pharos currently uses the NZE prices to stress test, which we believe is the most conservative price curve compared to SDS and STEPS, at a targeted price of $35 per barrel by 2030. We believe that the NZE price curve has already incorporated carbon tax considerations into their price deck. Results of this can be found in Note 4 and Note 16 on pages 166 and 173. • Although there is currently no carbon tax in Egypt and Vietnam, we still conduct a sensitivity test where carbon tax is effective from 2025 at $20/tonne CO_2 gradually incrementing to $40/tonne at 2030. • To mitigate the impact of this risk in the medium to long term, Pharos is exploring options towards investment in low-carbon technology, as part of our Net Zero Roadmap.		

Note: (1) The long-term impact of this risk has been considered as part of our cash flow consideration and is incorporated into our disclosure in the Financial Statements.
(2) The long-term impact of this risk is calculated based on Pharos production profile and associated increase in carbon tax in the 10-year time frame.

TCFD REPORT - continued



2) Physical risks & opportunities

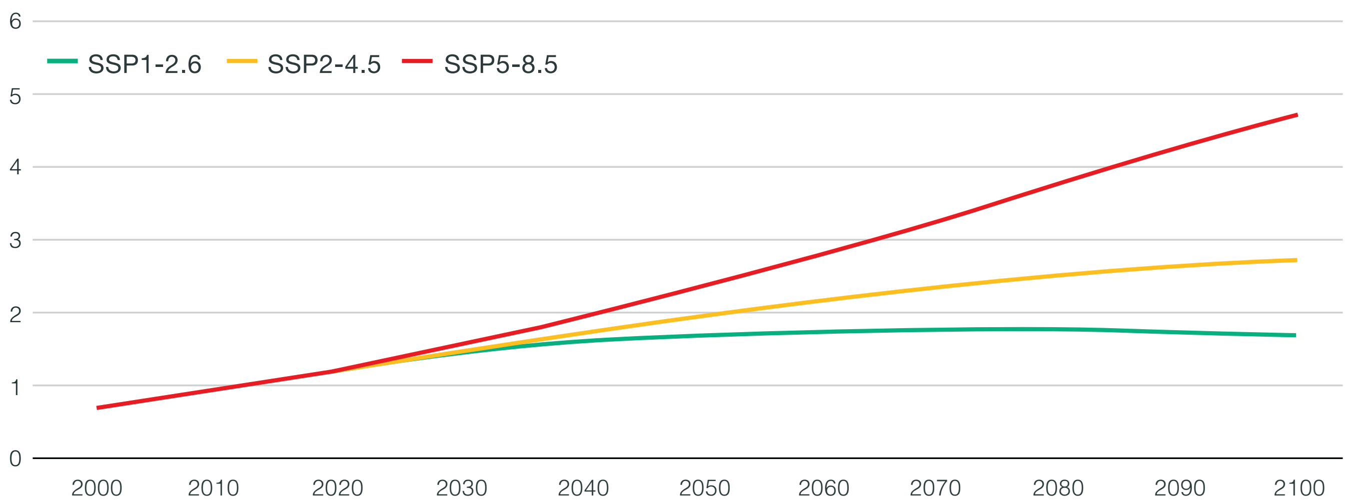
This assessment adopts a data-driven approach to identify and analyse the most material physical climate risks facing Pharos Energy's activities in Egypt and Vietnam and how those risks may manifest differently under three emissions scenarios. It assesses current climate extreme, such as flooding, heat stress and storms, as well as how long-term shifts in climate will affect these events. For physical climate risk, this scenario analysis helps Pharos understand how climate impacts may vary by geography, severity and timing under different emissions scenarios, and assess the subsequent implications for its operations, assets and supply chains. The Company is able to identify weaknesses, vulnerabilities and opportunities to help prioritise capital and resource allocation.

This assessment considers the impacts of climate change under three Shared Socio-economic Pathways (SSPs). We have chosen the below SSPs as they provide a broad range of temperature projections, thus allowing us to fully assess the impact of extreme physical risks such as heat stress on our business.

- SSP1-2.6 = Sustainable future. A scenario with low greenhouse gas emissions and less than 2°C temperature rise by 2100. This scenario represents the lower end of the future concentration pathways. Under this scenario CO_2 emissions begin to decline after 2020 and reach net zero by 2100.
- SSP2-4.5 = Middle of the road. A scenario with intermediate greenhouse gas emissions with a best estimate temperature rise of 2.7°C by 2100. This scenario represents the middle of the range of future concentration pathways. Under this scenario, CO_2 emissions start to decline around 2045 but do not reach net zero by 2100.
- SSP5-8.5 = Fossil fueled development. A scenario with very high greenhouse gas emissions and a best estimate temperature rise of 4.7°C by 2100. This scenario represents the high end of the future concentration pathways. Under this scenario, emissions continue to increase towards the end of the century, peaking around 2080.

Of the scenarios considered in our Physical Risk Assessment, the SSP1-2.6 scenario matched the objectives the Paris Climate Agreement of limiting warming to "well below 2°C", but does not limit it to 1.5°C.

Global temperature (relative to 1850-1900) in °c



For Pharos' Physical Risk assessment, the Company used its TCFD consultant's climate risk indices as guidance to evaluate and identify the most material physical climate risks facing our operations in Egypt (El Fayum Concession and North Beni Suef Concession) and offshore Vietnam (Offshore Vietnam Blocks 125 & 126 and 9-2 CNV & 16-1 TGT Fields). For the purposes of these assessments, assumptions are made based on the degree to which each country is exposed to a range of chronic and acute climate hazards by 2050, forming a climate hazard index. It is constructed at a resolution of $50km^2$ and is comprised of two pillars: Acute Climate Hazards and Chronic Climate Hazards. The Acute Climate Hazards index is comprised of Extreme High Temperatures, Extreme Precipitation and Heatwave Hazard. The Chronic Climate Hazards Index is comprised of Chronic Change in Temperature, Chronic Change in Precipitation, Chronic Change in Wind Speed, Temperature Variability and Precipitation Variability.

The assessment can help Pharos on when and where to invest in new ventures, how to allocate resources for resilience building, or to risk-adjust strategic decision making. The results of assessments helped Pharos identify the significance and impact of each physical risks and which area of operations might be impacted, which are detailed in the table below.

Physical risks

Risk & description	**6. Reduced water availability:** may affect operations where water is crucial for drilling and extraction		
Impact	• Financial impact due to interruptions or slowdown in oil and gas operations. • Higher expenses for securing water from alternative sources. • Potential impact on Egypt assets.		
Potential financial impact	Negligible		
Pathways, Severity & Likelihood	Short-term: **B3**	Medium-term: **B3**	Long-term: **B3**
Business area impacted	Operations		
Methodology	• Use historical data on operational disruptions during water scarcity events. • Estimate production losses and increased downtime based on projections and their financial consequences. • Assess the financial impact of delayed or halted operations. • Assess the cost of securing water from alternative sources. • Estimate transportation costs for bringing water from distant sources. • Compare these costs with baseline water procurement costs.		
Mitigations	• Water availability is unlikely to have a significant impact on Pharos' operations as the majority of our production comes from offshore operations in Vietnam, where water availability is not a concern. In Egypt, Pharos uses high-salinity water for our operations, which is recycled and reused. We do not consider this a material risk for Pharos. • Current mitigating actions include monitoring water usage in our operations.		

TCFD REPORT - continued

Risk & description	**7. Increased temperatures and heat stress:** affecting both equipment and personnel, potentially affecting safety and operational efficiency		
Impact	• Costs associated with implementing measures to mitigate the impact of heat stress on personnel and equipment. • Financial losses due to potential slowdown or interruptions in operations. • Potential impact on both assets, Egypt and Vietnam.		
Potential financial impact	Negligible		
Pathways, Severity & Likelihood	Short-term: **A4**	Medium-term: **B5**	Long-term: **B5**
Business area impacted	Operations, Health and Safety, Finance		
Methodology	• Use risk exposure assessments and health and safety records. • Identify and assess potential adaptation measures (e.g. cooling systems, personal protective equipment) based on physical risk data and projections. • Estimate the costs of implementing these measures, including installation, maintenance, and training. • Leverage existing data on operational disruptions during periods of increased temperatures. • Estimate production losses and increased downtime based on historical patterns and their financial consequences. • Assess the long-term effects on overall operational efficiency and competitiveness based on historical data and projections.		
Mitigations	• While this risk has the potential to impact both of our operations, its impact is considered to be minimal thanks to our operational adaptations, which are already in place. • Other mitigating actions include health and safety training for the operational team in cases of heat stress.		

Risk & description	**8. Storm frequency:** operations may be impacted from high winds (and waves if offshore)		
Impact	• Financial losses due to repair and restoration expenses for damaged infrastructure. • Increased costs from production losses and downtime, impacting overall operational efficiency. • Potential impact on Vietnam asset.		
Potential financial impact	Short term: **$2.48m**	Medium term: **$2.48m**	Long term: **$2.48m**
Pathways, Severity & Likelihood	Short-term: **B3**	Medium-term: **B4**	Long-term: **B4**
Business area impacted	Infrastructure, Operations		
Methodology	• Estimate the cost of repairs for different types of infrastructure based on historical data or engineering assessments. • Assess vulnerability and exposure of infrastructure to high winds. • Analyse historical data on operational disruptions during storm events, including downtime and production losses and shut-down and start-up costs. • Estimate the financial impact of delayed or halted operations. • Consider the long-term effects on overall operational efficiency and competitiveness.		
Mitigations	• This risk is likely to impact our operations in Vietnam, particularly during monsoon season. This risk is unlikely to impact our Egypt operations as our operations are onshore and not near any shores where large waves or storms may have an impact. • To mitigate this risk and reduce downtime, our operational teams plan drilling programmes ahead of time and are mindful of monsoon seasons. Operational adaptations are in place to provide flexibility in number of wells drilled and time of drilling to accommodate storm frequencies.		

TCFD REPORT - continued

Climate-related opportunities

Opportunity	**Technology:** Reduce carbon intensity of products through production efficiencies
Impact	• Improve the environmental performance of products by enhancing production processes to reduce carbon intensity. • Reduce the potential impact of carbon tax due to reductions in carbon emissions via production efficiencies • Potential impact on both assets, Egypt and Vietnam.
Potential financial impact	Short term: **0** / Medium term: **$0.5m** / Long term: **$1.7m**
Business area impacted	Research and development, operations
Methodology	• Conduct a comprehensive analysis of the current production processes. • Identify areas for efficiency improvements and emissions reduction. • Implement breakthrough technologies and innovative practices to enhance production efficiency. • Monitor and assess the impact on carbon intensity through continuous performance measurement. • Engage in life-cycle assessments to quantify improvements.
Adaptions	• As part of our Net Zero Roadmap, Pharos is exploring several decarbonisation levers to achieve our Net Zero target by 2050. This includes: reducing and eliminating gas venting, reducing gas flaring via flare stacks installation, process optimisation, gas utilisation, and carbon capture and removal.

Opportunity	**Technology:** Low-carbon transition enabling technology.
Impact	• Strategically invest in fuels and technologies with lower carbon intensity to align with broader company corporate responsibility goals. • Potential impact on both assets, Egypt and Vietnam.
Potential financial impact	Short term: **$0.4m** / Medium term: **$2.1m** / Long term: **$4.4m**
Business area impacted	Strategy
Methodology	• Assess the current portfolio of fuels and technologies. • Identify investment opportunities in less carbon-intensive fuels and technologies. • Develop a comprehensive investment strategy aligned with corporate responsibility goals. • Implement investments and monitor their impact on the overall carbon intensity. • Conduct scenario analysis to evaluate the resilience and potential returns on the investments.
Adaptions	• While many climate-related opportunities and decarbonisation levers are being explored by the Group as part of our pathways towards Net Zero, as mentioned above, one emission-reduction opportunity already identified is the associated gas-powered electricity generators in Egypt. This is part of a broader plan to utilise produced associated gas instead of diesel for power generation, along with flare reductions. The generators reduce CO_2 e emission by using the associated gas that otherwise would have been flared, and generate electricity to be used for field operations in Egypt.

3. RISK MANAGEMENT

Climate risk is a principal risk for Pharos, and it is assessed and managed in line with Pharos' overall risk management framework. The framework comprises:

- A risk management process through which we carry out regular and robust risk assessment to identify and manage principal and emerging risks. The process considers relevant interconnections within the assets and across all business functions and entities.
- Continued monitoring of macroeconomic environment, commodity price uncertainties and production volatilities.
- Management deep-dive exercises to gauge its risk appetite on the risk matrix and recalibrate its risk tolerance to ensure the appropriate mitigating actions were implemented. Staff from all functions, entities and asset locations are invited to participate in these exercises to contribute to the risk matrix.
- An effective internal control system, including Code of Business Conduct and Ethics and corporate policies which form part of the Group's Business Management System, to enable risks to be managed in line with our defined risk appetite.
- The Board of Directors supported by the Audit and Risk Committee (ARC) to ensure that the internal control functions in place are appropriate, effective and on target. As the Board believes the Group's risk matrix is a living dynamic document, it is agreed that additional risk-assessment meetings, aside from the quarterly scheduled ARC meetings, can be called if a new emerging risk is deemed significant. Quarterly risk reports, conducted by the Group's Risk Manager, are submitted to the Board ahead of every Board meeting.

For more information, please see our Risk Management Report on pages 48 to 59.

In addition to the above framework, for climate-related risks, the Company also uses scenario analyses, conducted by our TCFD consultant and outlined above, to help us identify and assess the size, scope and significance of climate-related risks and opportunities relative to other risks in the matrix. The Group also considers regulatory requirements and emerging trends related to climate change of each host government, such as assessing Vietnam and Egypt's national energy plans as well as STEPS and SDS. Our Climate Change policy is available on our website and reviewed annually by the Board, together with other corporate policies.

We carefully consider the environmental performance of assets and opportunities as part of our decision-making process, underpinned by our Net Zero commitment. Our approach to climate risk management is continually developing. How we identify, manage, assess, mitigate and determine the impacts of each climate-related risk and opportunities will vary by type, as detailed in the transition and physical risks tables above. We will continue to review our risk management framework when determining the materiality of its exposure to climate-related risks.

4. METRICS & TARGETS

281	Scope 1 & 2 GHG intensity by production (Tonnes CO_2e per 1,000 tonnes of hydrocarbon produced in 2023)
$39.1m	Maximum anticipated financial impact to the business due to a transition risk
$4.4m	Maximum anticipated financial benefit to the business due to adoption of a climate opportunity
$0.25	Of revenue set aside into the Emission Management Fund for every barrel net to Pharos sold at an oil price above $75
27%	Total remuneration weighting linked to corporate Safety & environment / Sustainability target, including 'Carbon footprints improvement / GHG emissions lower than baseline 2020' in 2023 KPI
86,134	Total Scope 1 & 2 GHG emissions (tCO_2e) by equity
$2.48m	Maximum anticipated financial impact to the business due to a physical risk
$20-$40	Carbon price range per tonne CO_2e from 2025 to 2030 used in Going Concern and Viability stress testing, in alignment with NZE pathway
Zero	Proportion of GHG emissions subject to carbon pricing regulations
747,978	Scope 3 total GHG emissions (tCO_2e) by equity
c.$0.4m	Total capital accumulated in the Emissions Management Fund as at year end 2023 to provide support for emissions management projects

TCFD REPORT - continued

Our GHG emissions in 2023 are recorded in Scope 1 & 2 CO_2e absolute and intensity, and we report on jointly operated companies in Egypt and Vietnam. We also measure total hydrocarbon flared as part of our Corporate Responsibility Non-Financial Indicators. Both of these metrics are directly related to our commitment to achieve Net Zero emissions across all assets by 2050.

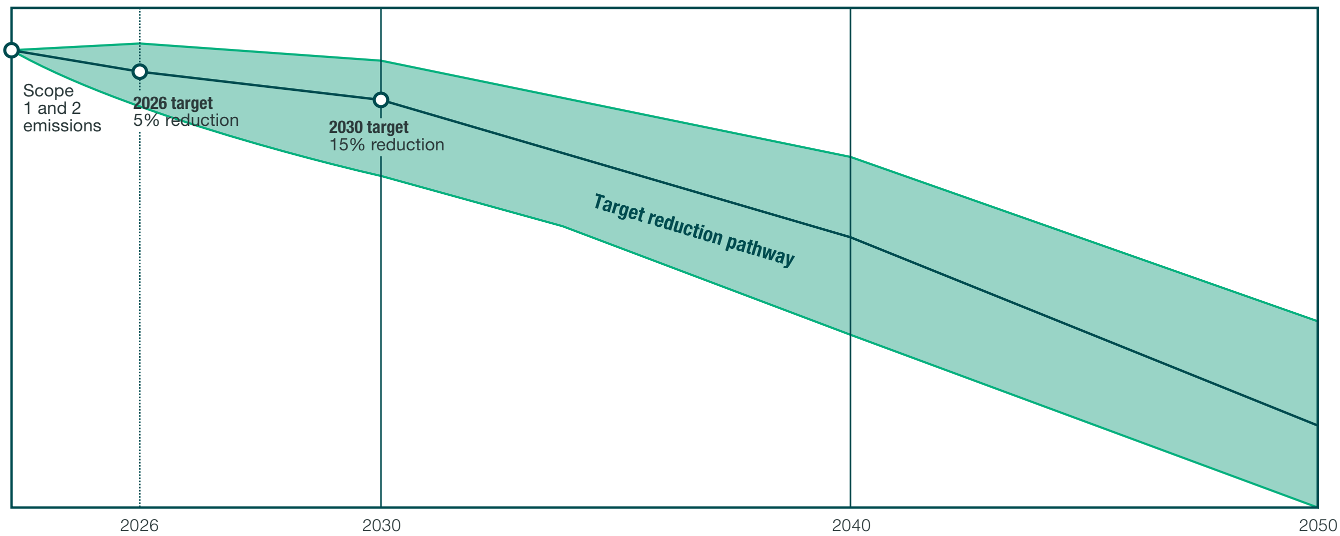
In addition to GHG emissions, we also measure other industry metrics such as energy consumption, process emissions, combustion, venting, waste usage and recycled, freshwater use, and oil spills, which we track as part of our HSE performance and can be found in the Corporate Responsibility Report on pages 75 to 82.

In December 2023, Pharos published its Net Zero Roadmap, which was researched and developed by the Company in close consultation with specialist advisors and consultants and models emission reduction pathways to achieve net zero Scope 1 (direct) and Scope 2 (indirect) GHG emissions from all existing and proposed future assets by 2050 or before. Based on this modelling, the roadmap contains interim targets set against the Company's 2021 baseline year, which have been approved by the Board and sets out a 5% reduction goal in the short-term and 15% in the medium-term. We use GHG percentage reduction against the 2021 baseline as the main metrics to identify projects and opportunities with the most potential to reduce our environmental impact.

We also monitor the reduction of our year-on-year emission to make sure we are on track to achieve Net Zero by 2050 ambition and meet the Remuneration Committee's corporate responsibility targets as part of our annual corporate KPI.

The Company also uses a number of other corporate responsibility metrics for our KPI and LTIP (applicable for all staff and Board members) such as Lost Time Injury, environmental spills, diversity and inclusion, which can be found in the Directors' Remuneration Committee Report on pages 126 to 142.

Our emissions reduction pathway with short and medium term interim targets until 2050



We recognise that Scope 3 value chain emissions can help companies have a better and more comprehensive understanding of their overall emissions footprints. Therefore, during Q4 2023, Pharos, together with our climate specialist, conducted a high-level materiality assessment across our portfolio against 15 categories listed in the GHG Protocol to understand which categories are relevant, material and reportable for Pharos.

A review of peer companies was conducted by our climate specialist to observe and understand trends in reporting of the 15 Scope 3 categories. The group of peer companies were selected with due consideration to their diverse industry representation, comparable Scope 3 emissions reporting, industry similarity, data availability, and relevance to Pharos Energy's operational context. Following this, an evaluation of Pharos' sustainability reports and our upstream and downstream value chain activities was conducted to identify all indirect emissions associated with the company's operations. The 15 Scope 3 emission categories were then reviewed with consideration given to factors such as relevance to Pharos' operations, materiality thresholds, and the availability of data within our HSE reports. The overarching objective of this review was to identify the key categories that hold material significance for Pharos, thereby ensuring alignment with the IPIECA/API and Greenhouse Gas Protocol (Greenhouse Gas Protocol, 2013; IPIECA, 2016).

Following this review, the 15 Scope 3 categories were organised by materiality into four groups:

1. High materiality
2. Moderate materiality
3. Potentially moderate materiality
4. Not material to Pharos

In light of this materiality assessment, as at year-end 2023, we have calculated emissions from Category 6 – Business travel, which has moderate materiality to Pharos and is relatively reliable to measure, and Category 4 – Upstream transportation and distribution and Category 11 – Use of Sold Product, two categories with high materiality for Pharos. More information on our Scope 3 emissions can be found in the Corporate Responsibility Report on page 78 and in the Corporate Responsibility Non-Financial Indicators table on page 82.

Activity data pertaining to GHG emissions in Vietnam and Egypt is reported to Pharos. Telos NRG assisted with data collation and GHG emissions calculations. Verification of the 2023 GHG Emissions Report has been undertaken by RPS Consulting UK & Ireland using the principles in BS EN ISO 14064-3:2019 (the Standard). The RPS' 2023 GHG verification report is unqualified and covers all of our GHG metrics, including Scope 3 emissions.

Like other oil and gas companies, our emissions targets are not approved by the Science Based Targets Initiative (SBTi) due to ongoing development of validation tools by the organisation for the oil and gas sector. Nevertheless, we respect the science and base our decisions on guidance from widely-used frameworks such as the Taskforce for Climate-related Financial Disclosures (TCFD). We consider our targets to be robust, having been underpinned by independent analysis and technical evaluation of our emissions profile, which we used to identify decarbonisation initiatives on our operated assets. We will not engage in any memberships that run counter to our net zero commitments. We will be transparent about our memberships in the sector and beyond. We plan to address our residual, hard to abate emissions (which is estimated to be around 20-40% of our total emissions) through carbon capture and removal.

Approval of the Strategic Report

This report was approved by the Board of Directors on 27 March 2024 and is signed on its behalf by

JANN BROWN
Chief Executive Officer

Governance Report

A strong culture of governance

JOHN MARTIN
Non-Executive Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present the Pharos Corporate Governance Report for the financial year ended 31 December 2023. The Company was in full compliance with the UK Corporate Governance Code throughout the year.

The role of the Board

The Board is responsible for the determination of the Group's strategy and objectives, the approval of overall financial budgets and financing agreements, the monitoring of performance against these, the oversight of key corporate relationships with operators and other joint venture partners, and for corporate governance more generally.

The Board provides leadership to the Group by monitoring culture across the organisation, ensuring its alignment with Group strategy, objectives and values, and overseeing its implementation by management. The Directors are expected to always act with integrity and honesty, to lead by example and to promote the Pharos principles of Safety & Care, Energy & Challenge, Openness & Integrity, Empowerment & Accountability, and Pragmatism & Focus. The Board also ensures there are appropriate processes in place to assess and manage risk, including the overall appetite for risk across the Group, and monitors the Group financial and operational performance against corporate objectives and KPIs. The Board is committed to ensuring the Group complies with applicable laws, regulations, rules and requirements in all host countries and other relevant jurisdictions.

The authority for implementing Group strategy, including the taking of decisions and the making of financial and other commitments, is delegated by the Board to the Executive Directors and the senior management team subject to defined authority limits. This delegation by the Board includes the authority to approve expenditure in relation to any budgeted item. However, certain matters are not delegated and require approval by the Board itself, and these are set out in the Group Delegation of Authority, a key corporate policy document issued and maintained by the Board that sets out in detail the financial and non-financial authorities held by individuals within the Group.

Overview of 2023

Throughout 2023 we have continued to build upon our culture of capital discipline to deliver material improvement to the Group's balance sheet, reducing net debt and achieving strong operational and financial performance across the Group. Across the portfolio, the team's focus on operational delivery was evidenced by strong drilling performance in both Vietnam, with the CNV well coming in on time, under budget and substantially contributing to CNV field production, and Egypt, with discoveries from both El Fayum's and NBS' exploration wells. The first NBS exploration commitment well was put on production just nine months after its commercial discovery, opening up a new area for production and development. This has allowed the Board to continue our commitment to sustainable shareholder returns, a core component of Pharos' strategy since its inception in 1997.

External factors have posed a series of challenges for our global operations during the year and will continue to do so, with Russia's invasion of Ukraine and the extensive international sanctions packages introduced in response. Combined with the latest instability in the Levant, and the interdiction in the Red Sea by the Houthi's with the concomitant impact on shipping through the Suez Canal, these pose a wider challenge to the Egyptian economy which has suffered from high inflation, devaluation of the Egyptian pound and greatly reduced availability of US dollars in country. This has constrained our ability to conduct normal business in Egypt, evidenced most clearly by the large unpaid balance for sale of the Group's share of production from El Fayum. Improving this situation, and the development and implementation of mitigation strategies, continues to be an important area of focus for the Board and the executive team.

Throughout the year, the Board devoted considerable time to supporting and constructively challenging the executive team. The Board together with its Committees received regular detailed updates from the Executive Directors and other key members of management and staff during the year. In pursuit of the best interests of stakeholders, the Non-Executive Directors (NEDs) brought constructive challenge to the executives' proposals and strategy, offering direction and support as and where appropriate. Key areas of focus for the NEDs' discussions in 2023 included effective implementation of Group strategy, portfolio management, capital allocation and oversight of operational, financial performance and KPIs, the share buyback programme, corporate responsibility

CHAIR'S INTRODUCTION TO GOVERNANCE - continued

matters, and publication of the Company's Net Zero roadmap. The NEDs also regularly meet without the executive Directors present.

Board Committees

The Board is assisted in its role by four permanent committees of the Board: the Audit and Risk Committee, the ESG Committee, the Nominations Committee and the Remuneration Committee. Reports from these committees follow this introduction, but I will briefly summarise some of their key activities in 2023.

The health and safety of the Group's workforce remains our number one priority, and the ESG Committee (see the report on page 114) is committed to ensuring that the Group operates safely and responsibly at all times. In 2023, the JOCs in Vietnam continued to deliver an exceptional record of safety, reporting zero LTIs since operational inception, representing eleven production years on TGT and fourteen production years on CNV. In Egypt, no LTIs were recorded in 2023. However, the ESG Committee received reports on two motor vehicle roll-overs which resulted in the target for motor vehicle crash and roll-overs to be exceeded. These roll-overs led to environmental spills for which the target maximum was exceeded as a result.

Further details of these incidents are set out in our Corporate Responsibility report on pages 70 and 79. With the oversight of the ESG Committee, Group personnel are working with the operator IPR and the JOC Petrosilah to address the underlying issues identified in the incident investigation reports and safety assessments. We look forward to re-establishing our track record of zero safety and environmental incidents across all assets.

In December 2023, following discussions at previous ESG Committee meetings, the Company announced its Net Zero Roadmap which details the Group's emissions profile, interim reduction targets, and decarbonisation levers to achieve our 2050 Net Zero commitment. I am also particularly proud, in my capacity as Chair of the ESG Committee, of the establishment of our Charity and Community Projects Committee which reports into the ESG Committee with regard to social investment initiatives across the countries where we operate.

During 2023, the Nominations Committee (see the report on page 117) focused on reviewing Board composition, succession planning for key roles throughout the Company, an annual Board evaluation, annual Director re-appointments, and the search and recruitment process for a Non-Executive Director with technical expertise. The Board was in agreement that Dr Bill Higgs was an outstanding candidate and bring a wealth of technical and commercial experience to the Board. The appointment of Dr Bill Higgs as a new independent Non-Executive Director was announced on 16 January 2024. The size of the Board has thus increased from six (two Executives and four NEDs), to seven (two Executives and five NEDs) which we consider commensurate with the size and profile of the Group.

The Remuneration Committee's activities in 2023 centred on the updated remuneration structure. The Remuneration Committee approved a 6% increase in salaries of Executive Directors and the Board. Apart from this 6% increase in NEDs' fees (commencing in 2024) there were no other increase approved in 2023. The salaries for non-Director UK staff have also been increased by 6% to counteract the continued inflationary factors and cost of living challenges. Further details are set out in the Directors' Remuneration Committee Report from pages 126 to 142.

Board Priorities for 2024

We will build further upon a track record of consistently meeting expectations and delivering on our strategy. Key priorities for 2024 are the continuation of the share buyback programme, the dividend policy, seeking to grow value for our shareholders, improving our payment situation in Egypt, striving for zero safety and environmental incidents and continuing to find the right farm in partner to fund our commitment well on Block 125. Clear organic growth and disciplined capital management will support us in our aim to maintain regular returns to shareholders whilst growing the value of our Company.

In closing, I would like to thank all of our employees, shareholders, partners, JOCs and other stakeholders for their continued support. The Board looks forward to building on the progress made last year, supported by the firm foundations of robust governance.

JOHN MARTIN
Non-Executive Chair

Leadership & Governance

Board Members

* Independent Non-Executive Directors.

John Martin*

Non-Executive Chair and Chair of Nominations Committee and ESG Committee

Jann Brown

Chief Executive Officer, ESG Committee member and Nominations Committee member)

Sue Rivett

Chief Financial Officer and ESG Committee member

Geoffrey Green*

Non-Executive Director and Senior Independent Director, Chair of Remuneration Committee, Nominations Committee member, Audit and Risk Committee member and ESG Committee member

Lisa Mitchell *

Non-Executive Director, Chair of Audit and Risk Committee, Remuneration Committee member, Nominations Committee member and ESG Committee member

Marianne Daryabegui*

Non-Executive Director, Audit and Risk Committee member, Remuneration Committee member, Nominations Committee member and ESG Committee member

Dr Bill Higgs*

Non-Executive Director and ESG Committee member

(Appointed on 16 January 2024)

Diversity of Skills, Backgrounds and Experience

The Board places importance on the diversity of gender, experience, knowledge, skills, and professional, educational and cultural backgrounds. This diversity has brought an international outlook which has been particularly beneficial to the Board's discussions about the strategic positioning of its current and new business ventures. As at 31 December 2023, the Board comprised six Directors. As at 27 March 2024, the Board comprised seven Directors.

Meeting attendance

During each Director's respective term of office in 2023

Director	Board meeting (scheduled quarterly) x4	Board meeting (additional) x3	Audit and Risk Committee meeting x3	Remuneration Committee meeting x3	Nominations Committee meeting x5	Environmental, Social and Governance Committee meeting x4
John Martin (Chair)^	Attended as member ×4	Attended as member ×3	Attended as invitee ×3	Attended as invitee ×2	Attended as member ×5	Attended as member ×4
Jann Brown (CEO) (1) (2) (3)	Attended as member ×3, Not attended ×1	Attended as member ×3		Attended as invitee ×1	Attended as member ×2, Not attended ×1, Attended as member ×2	Attended as member ×2, Not attended ×1, Attended as member ×1
Sue Rivett (CFO)	Attended as member ×4	Attended as member ×3	Attended as invitee ×3	Attended as invitee ×3	Attended as invitee ×2	Attended as member ×4
Geoffrey Green^	Attended as member ×4	Attended as member ×1	Attended as member ×3	Attended as member ×3	Attended as member ×5	Attended as member ×4
Lisa Mitchell^	Attended as member ×4	Attended as member ×1	Attended as member ×3	Attended as member ×3	Attended as member ×5	Attended as member ×4
Marianne Daryabegui^	Attended as member ×4	Attended as member ×1	Attended as member ×3	Attended as member ×3	Attended as member ×5	Attended as member ×4

KEY

^ Independent Directors

Attended as member | Attended as invitee | Not attended

In addition to the four scheduled quarterly meetings, the Board met in 2023 on an additional three occasions to deal with specific business matters which required Board approval. Furthermore the Board attended a corporate strategy meeting in November 2023.

Notes:

1) Jann Brown was not in attendance at the December Board meeting due to extenuating and unforeseen personal circumstances.
2) Jann Brown was unable to attend one Nomination Committee meeting due to the meeting being necessarily arranged at short notice at a time when she was not available.
3) Jann Brown was unable to attend one ESG Committee meeting due to the meeting being necessarily arranged at short notice at a time when she was not available due to a meeting with an international business partner previously arranged.
4) Where a Director or Independent Director is unable to attend a particular meeting, full documentation for the meeting is issued to them, their views are sought in advance and briefings are provided subsequent to the meeting as appropriate.
5) Directors do not attend meetings (or parts of meetings) of the Remuneration Committee when the Committee is deciding matters in relation to such Directors' Remuneration.

LEADERSHIP & GOVERNANCE - continued

Management

Board of Directors

Management Committees

Further support the Board and comprise the following key committees:

- Disclosure
- Treasury
- Bid Defence

Executive leadership team

Responsible for day-to-day management of our business and operations and for monitoring detailed performance of all aspects of our business.

Principal Committees of the Board

Audit and Risk Committee	Remuneration Committee	Nominations Committee	Environmental, Social and Governance (ESG) Committee
L Mitchell (Chair) M Daryabegui G Green	**G Green (Chair)** M Daryabegui L Mitchell	**J Martin (Chair)** M Daryabegui L Mitchell G Green J Brown	**J Martin (Chair)** M Daryabegui L Mitchell G Green B Higgs * J Brown S Rivett
Responsible for the integrity of the Financial Statements and narrative reporting, including annual and half year reports.	Responsible for the design, development and implementation of the Company's remuneration policy.	Responsible for ensuring the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace.	Responsible for defining the Group's corporate responsibility strategy, review of the Group's corporate responsibility policies, programmes and initiatives and, more generally, oversight of the Group's management of corporate responsibility matters and Net Zero ambition.

* Dr Bill Higgs was appointed to the Board and the ESG Committee on 16 January 2024.

BOARD OF DIRECTORS

Experienced leaders guiding our future

JOHN MARTIN

Non-Executive Chair

Appointed: June 2018 (Non-Executive Director from June 2018 – March 2020; Non-Executive Chair from March 2020)

John has more than 30 years' experience in international banking in the oil and gas industry and was a Senior Managing Director in the Oil and Gas team at Standard Chartered Bank. Prior to joining Standard Chartered in 2007, John worked for ABN Amro for 26 years, specialising in the energy sector. John has served as the Senior Vice President of the World Petroleum Council, and as an Independent Non-Executive Director of Rockhopper Exploration plc. He was previously Chairman of Falkland Oil and Gas Limited, an Independent Non-Executive Director on the board of Bowleven plc and, an Independent Non-Executive Director and Chair of the Audit Committee of Total E&P UK Limited.

JANN BROWN

Chief Executive Officer

Appointed: November 2017 (Managing Director and Chief Financial Officer from November 2017 – July 2021; Managing Director from July 2021 – March 2022)

Jann was appointed to the role of Chief Executive Officer with effect from 21 March 2022 following a period as CFO from 2017 to 2021. Jann currently serves as an Independent Non-Executive Director of RHI Magnesita N.V. and previously served as an Independent Non-Executive Director and Chair of the Audit Committee of Troy Income & Growth Trust plc and of John Wood Group P.L.C. She was Chief Financial Officer and Executive Director of Cairn Energy plc from 2006 to 2014. Jann is also a Past President of the Institute of Chartered Accountants of Scotland.

SUE RIVETT

Chief Financial Officer

Appointed: July 2021

Sue, previously Group Head of Finance and UK General Manager, has been with the Company for over eight years . Prior to joining Pharos, Sue held senior finance roles with Conoco, ARCO British (subsidiary of Atlantic Richfield Company), JKX Oil & Gas plc and Seven Energy. Sue's various roles have included heading up full FTSE finance functions including finance, taxation, treasury, IT, corporate planning and Company Secretary. She was Head of ARCO British trading arm's back office and mid office and has considerable joint venture experience and numerous years' merger and acquisition experience. Sue is a Fellow of the Chartered Institute of Management Accountants ("FCMA") with international experience and nearly 40 years in the energy business.

BOARD OF DIRECTORS - continued

GEOFFREY GREEN
Non-Executive Director and Senior Independent Director

Appointed: May 2020

Geoffrey has many years of legal and commercial experience in advising major UK listed companies on corporate and governance issues, mergers and acquisitions and corporate finance. Geoffrey retired as a partner of Ashurst LLP in 2013, a leading international law firm, after 30 years as a partner and 10 years of service as the senior partner and chair of its management board. He served as head of Ashurst's Asia practice from 2009 to 2013, based in Hong Kong, and was responsible for leading the firm's strategy and business development for the region. He served on the Board of Vedanta Resources Limited, (formerly Vedanta Resources plc, a London Stock Exchange listed company) from 2012 to 2021 and was Chair of the Remuneration Committee. Geoffrey was the Non-Executive Chair of the Financial Reporting Review Panel, one of the main subsidiary bodies of the Financial Reporting Council, from 2015 to 2022, and is also a non-executive director of a Hong Kong based investment fund. He has a degree in law from Cambridge University and qualified as a solicitor at Ashurst LLP.

LISA MITCHELL
Non-Executive Director

Appointed: April 2020

Lisa is currently the Chief Financial Officer of Orca Energy Group Inc. a TSX-V listed company. Lisa is an experienced CFO with over 25 years' international experience, across the oil and gas, mining and the pharmaceutical industries. She was most recently CFO and Executive Director of San Leon Energy plc and was previously CFO and Executive Director of Lekoil Limited, the African-focused oil and gas exploration and production company with interests in Nigeria. Prior to this, Lisa was CFO and Executive Director at Ophir Energy plc, formerly a FTSE 250 company where she was responsible for contributing to the overall business strategy of Ophir; leading the finance function including all financial, taxation, treasury and funding requirements and investor relations. Lisa's previous roles include CSL Limited, and Mobil Oil Australia. Lisa is a Certified Practicing Accountant (FCPA Australia) and holds a Bachelor of Economics (major in Accounting) from La Trobe University, Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

MARIANNE DARYABEGUI
Non-Executive Director

Appointed: March 2019

Marianne is currently the Chief Financial Officer of Lithium de France, an energy transition company focused on geothermal energy and lithium extraction. She was Head of Natural Resources at BNP Paribas and then Managing Director at Natixis in the Energy and Natural Resources sector. She has extensive experience in corporate transactions and capital markets and has advised majors, independent E&Ps and national oil companies. Prior to leading the Oil and Gas Corporate Finance Team in 2006 at BNP Paribas, Marianne headed the Commodity Structure Finance team for the Middle East and Africa. Before joining the banking sector Marianne spent eight years at TOTAL. Marianne has a Master's degree in Finance and Capital Markets from Sciences Po University, Paris and a Masters in Tax and Corporate Law.

DR BILL HIGGS
Non-Executive Director

Appointed: January 2024

Bill has over 30 years of global exploration, development and operations experience, including more than 10 years in executive roles for listed independent exploration and production companies. He is a qualified geologist with extensive expertise in all engineering and other technical and commercial aspects of hydrocarbon exploration, development and production. Most recently, Bill was Chief Executive Officer of Genel Energy between 2019 and 2022, having served as Chief Operating Officer from 2017. Preceding his roles at Genel, Bill was Chief Operating Officer for Ophir Energy plc, responsible for managing the global asset portfolio. Before that he served as Chief Executive Officer of Mediterranean Oil and Gas, overseeing the successful sale of the company in 2014. Bill began his industry career at Chevron, spending 23 years across a number of global roles. Bill is currently serving as Chairman of Chappal Energies Mauritius Limited, a West Africa-focussed energy company that has recently embarked on building a portfolio of upstream assets.

2018 UK Corporate Governance Code (the '2018 Code')

2023 statement of compliance with the 2018 Code

We are committed to the highest standards of corporate governance and to compliance with the UK Corporate Governance Code 2018, which sets out the principles that emphasise the value of good corporate governance to long-term sustainable success. The Company was in full compliance with the provisions of the 2018 Code throughout the year.

The Company also notes the provisions of the 2024 UK Corporate Governance Code (the '2024 Code') announced by the Financial Reporting Council in January 2024. We have no material concerns over compliance with the provisions of the 2024 Code, under which the majority of provisions will apply from the Company's financial year commencing 1 January 2025.

The remainder of this section of the Governance Report sets out in more detail the Company's practical application of the Principles of the 2018 Code as set out in the five sections of the 2018 Code:

- Board Leadership and Company Purpose;
- Division of Responsibilities;
- Composition, Succession and Evaluation;
- Remuneration; and
- Audit, Risk and Internal Control

Board Leadership and Company Purpose

Purpose and Culture

At Pharos, our purpose is to provide energy to support the development and prosperity of the countries, communities and families wherever we work, in line with recognised social and environmental practices. We have a focused strategy of delivering long-term, sustainable value for all our stakeholders though regular cash returns and organic growth that, together with a strong corporate culture, help us fulfil our purpose.

It remains important to the Board to preserve and enhance the strong and resilient culture of our workforce. The Board monitors adherence to these principles through a number of different engagements, both formal and informal, ensuring that they are evidenced in behaviours and not simply as words on a page.

Stakeholder engagement

Colleague engagement

The Board understand that the strategy and long-term success of the Group is dependent on a strong culture and set of values that is clear and guide everything we do. Our approach is driven by the strength, skills and imagination of our people, and our shared purpose to make a positive impact. The way we work and do business is based on five guiding principles (the Pharos Guiding Principles): Safety & Care, Energy & Challenge, Openness & Integrity, Empowerment & Accountability, and Pragmatism & Focus. The Pharos Guiding Principles are reinforced by our Code of Conduct and Business Ethics and other corporate-level policies, procedures and guidance. The Board has responsibility for assessing and monitoring the culture of the Group and ensuring that the Group's policies and practices are aligned with this. There are a number of ways in which the Board monitor and assess the culture through engagement with colleagues in various forms, as detailed below.

The Board places great importance on the level of engagement with senior management and other colleagues. The Board remains passionate about workforce engagement and fostering a genuine dialogue between the Company and staff. All staff are kept informed about important business developments in the Company and have channels through which they can ask questions and provide input. The now well practised route of using video calls facilitates more frequent engagement across our offices worldwide and the reorganisation of the Group has instituted a flatter organisational structure, resulting in shorter lines of management and more direct, accessible channels of communication with leadership.

The Executive Directors receive regular updates on colleague engagement to understand any complaints or troubles from the hybrid work environment. At the beginning and end of each calendar year, every employee is encouraged to set their own personal and professional development objectives and appraisal for the upcoming year. Each employee has at least two meetings with their line manager during the year, to discuss and agree the objectives and to review progress mid-year. Line managers also provide additional support where needed and assist the employee in overcoming any difficulties they might be facing.

Following feedback received in previous years, in which events such as off-site away days and in-person monthly meetings were proposed to avoid staff isolation and promote team culture, the Company organised a Group-wide off-site event in June 2023, where colleagues from Egypt, Vietnam and UK all met in London to exchange ideas, provide feedback and engage in structured team-building activities. The event proved very successful, with the sharing of knowledge and practical experience having an immediate impact. The off-site event also resulted in a number of new staff-led initiatives, including a Group-wide quarterly video conference and a commitment to an annual Group-wide off-site event. The Board believes that these Group-wide events are important not only for the effective and efficient functioning of the Company and the business, but to also promote the company culture and the development, advancement and wellbeing of the Group's global workforce.

UK CORPORATE GOVERNANCE CODE - continued

During the year, John Martin, as Chair of the Board and designated Non-Executive Director responsible for workforce engagement, made himself available to all employees throughout the year and encouraged all staff members to share their concerns, feedback and views about the Company. Any feedback was then taken into account and communicated to the Board and Executive Directors as suggestions for improvements.

Additionally, there have been other forms of engagement with the Group's global workforce, including extending participation in the Company's share incentive schemes and the corporate bonus scheme, and providing other feedback channels, including through the Group's Whistleblowing Policy and access to the dedicated, anonymous and confidential EthicsPoint hotline.

Shareholder engagement

The Board as a whole has responsibility for maintaining a satisfactory dialogue with shareholders. The Executive Directors are responsible for ensuring on a day-to-day basis that effective communication is maintained with key stakeholders and partners, including an appropriate level of contact with major shareholders and ensuring that their views are communicated to the Board. The Chief Financial Officer has primary responsibility at management level for investor relations, but senior management, the Chief Executive Officer and other members of the Board are also regularly involved in conversations with shareholders.

To maintain a clear understanding of the views of shareholders, all Directors receive a quarterly investor relations report, which includes market updates, brokerage and communications reports, share register and share performance analysis and comments and notes from research analysts and proxy agencies. Additionally, a section of the agenda for each regularly scheduled meeting of the Board is dedicated to investor and stakeholder considerations. Investor relations is also a standing agenda item for weekly management meetings.

Pharos engaged in open and active dialogue with its institutional, private and retail shareholders in several formats throughout the year. The Company uses its online presence to post and disseminate key information promptly to a wide audience, as a complement to the use of the normal regulatory news service. The "Contact" section of the Company's website is regularly used by shareholders and stakeholders for email communication with the management team. The official X (formerly known as Twitter) and LinkedIn accounts of Pharos continue to be used actively. The Company uses a communications agency to provide assistance in the presentation and dissemination of information to shareholders and the general public and also to solicit active feedback as to the effectiveness of such efforts. Additionally, the Company also provide a platform for everyone to access an analyst research feed via its corporate website at www.pharos.energy/investors/analyst-research/. This allowed for a wider audience of private and retail shareholder to freely access analyst research notes about the Company. On top of existing analyst coverage with Peel Hunt and Auctus Advisors, the Company also partnered with Progressive Research and Shore Capital in 2023, both of which produce regular research notes on the Company to ensure a wider mix of equity research and investment opinion are available to all shareholders. The Company has continued its policy of regular liaison with a proxy advisory and corporate governance services on responsible investment, ESG and the terms of shareholder resolutions.

Also in 2023, the Company continued its engagement with online platform Investor Meet Company to host online meetings with a Q&A session in March and October, allowing shareholders and the wider public a free platform to put questions directly to the Executive Directors. At the Strategy Day held in London in November 2023, the Board received presentations and inputs from several key external parties, including corporate brokers, institutional shareholders and ESG advisers. During the year, the Executive Directors, senior management, and investor relations colleagues also met with over 20 different institutional investors, family offices, media journalists and analysts in various engagements and events, including ad-hoc investor roadshows, an analyst lunch, and video conference meetings.

The NEDs are each responsible for taking sufficient steps to understand shareholder views, including any issues or concerns relating to the management of the Company. This includes being available to major institutional shareholders and responding to requests for additional communication with the Chair, the Senior Independent Director or other NEDs. For instance, in 2023, the Chair and the Company's General Counsel engaged with certain significant shareholders of the Company to solicit their views on the effectiveness and composition of the Board. Those exchanges ultimately led, following an externally-managed search process, to the appointment of Dr Bill Higgs as a new Independent Non-Executive Director in January 2024. Unlike the other members of the current Board, Dr Higgs has a professional background in geoscience, in addition to many years of global exploration, development and operations experience and more than 10 years in executive roles for listed independent exploration and production companies. Dr Higgs has been introduced to a number of key shareholders in his new role and intends to maintain open lines of communication.

Additionally, both before and after the formal proceedings of each AGM of the Company, all Directors and senior management, including the Chairs of the principal Board committees, make themselves available to answer shareholder questions and respond to any specific queries.

Local communities, governments and employees

Our goal is to have a responsible and positive presence in the regions in which we operate, creating value for host countries, local communities, employees, contractors, suppliers, partners and shareholders. We engage with all of those stakeholders on a regular basis. Additionally, we carefully monitor compliance with the Modern Slavery Act 2015 in relation to the Group's international operations, including through regular compliance checks and the requirements our due diligence and on boarding processes with suppliers, service companies and other contractors.

In Vietnam, commitment to local sourcing, employment, training and industry capacity building has continued with a training levy of $300,000 per year in a ring-fenced fund to support developing future Vietnamese expertise in the industry. In Egypt, under the El Fayum and North Beni Suef Concession Agreements, the Contractor parties contribute a total of $200,000 per year split equally between the two Concessions to support training and development in industry.

During the year we sought to align our social investment programme with the United Nations Sustainable Development Goals (UN SDGs). In 2023, in addition to the training levy mentioned above, a further $247,373 was invested in 22 healthcare, education, infrastructure and other community projects across all three host countries . The JOCs approached and consulted with local partners to determine which areas of the country would need the greatest assistance in order to ensure that we were investing in local projects that would bring the most sustainable positive impact to the community. For full details of all the projects in which Pharos invested during the year, please see our Corporate Responsibility report on pages 73 to 74.

In addition, the Company announced the establishment of an Emissions Management Fund in September 2022, reflecting that, as non-operator, the Company has no direct control over the facilities associated with the Group's producing assets. From every barrel net to the Company sold at an oil price above US$75, this Fund is provided with US$0.25. In line with the Net Zero roadmap, this Fund is intended to provide financial support for emissions management projects that are otherwise not economically feasible. As at 31 December 2023 the value of the fund was over US$400,000.

Whistleblowing, Ethics and Business Conduct

Our Whistleblowing Policy and associated procedures ensure that employees are protected from possible reprisals when raising concerns in good faith. In addition to internal reporting channels, we have a dedicated, anonymous and confidential ethics hotline supported by EthicsPoint with numbers displayed in our local offices available 24 hours a day all year round. Zero calls were made to the EthicsPoint hotline in 2023.

Additionally, our Anti-Bribery and Corruption (ABC) Policy, Code of Business Conduct and Ethics and associated guidance were followed rigorously in 2023. All employees are encouraged to place these policies at the forefront of our engagement with suppliers, vendors, partners, and public officials. It is also a requirement for all Group employees and the Board to complete and successfully pass their ABC and Criminal Finance E-Learning training every year to ensure that the expected standards of business conduct are communicated and recognised across the organisation.

Pharos is committed to creating a safe workplace for all. We recognise that 2023 has seen significant geopolitical instability, something that has impacted far reaching communities and families, the global economy, communities and trade. Our thoughts remain with those involved, directly or indirectly, in current international conflicts. We continue to support colleagues and contractors during this difficult time, as well as ensuring that our business can continue to function unaffected.

Division of Roles & Responsibilities

Responsibilities of the Board

The statutory duty of the Directors is to act in what they consider to be in the best interests of the Company and, as a unitary Board, they are responsible for the long-term success of the Company. The Board determines and develops the strategy for the business and provides it with the necessary entrepreneurial leadership. It ensures the Company is adequately resourced to meet its strategic objectives and can meet its obligations to its stakeholders. The Board sets the values, standards and controls necessary for risk to be effectively assessed and managed. Some of its responsibilities have been delegated to committees of the Board, including the Audit and Risk, Remuneration, Nominations and ESG Committees.

The roles of the Chair and Chief Executive Officer (CEO) are separated and their responsibilities are clearly established, set out in writing and agreed by the Board. Both are collectively responsible for the leadership of the Company. The Chair chairs the Board meetings, leads the NEDs in the constructive challenge of the Executive Directors' strategy and day-to-day management and is accountable for the Board's effectiveness. This includes encouraging an open and frank boardroom culture, setting the Board's agenda, facilitating the NEDs' contribution, and ensuring sufficient time and information to promote effective and challenging discussions. The Chair has been in his current role since March 2020.

The CEO is responsible for the everyday management of the Company. The CEO leads the Executive Directors and management team in the implementation of the Board's strategy and management's performance in running the business.

The NEDs have a supervisory role that contributes to the development of the strategy through supportive and challenging inquiry. They scrutinise the Executive Directors' performance in meeting their agreed goals and objectives and play a key role in their appointment or removal.

The Company Secretary is appointed by the Board. He facilitates the communications and processes of the Board, the induction programme for new Directors and provides advice through the Chair as may be required in the ongoing discharge of the Directors' duties. This includes ensuring that the Company provides the necessary resources for access to independent advice and any individual professional training and development needs agreed with each Director.

The Board operates within a framework that distinguishes the types of decisions to be taken by the Board, including determination of strategy, setting the principal operating policies and standards of conduct, approval of overall financial budgets and financing agreements, approval for establishing key corporate relationships and approval of any actions or matters requiring the approval of shareholders.

UK CORPORATE GOVERNANCE CODE - continued

Board composition

As at December 2023, the Board comprised six Directors, being the Chair (who was independent on appointment), the two Executive Directors and three independent Non-Executive Directors. As noted above, Dr Bill Higgs was appointed as an additional Non-Executive Director in January 2024.

Tony Hunter was Company Secretary throughout the year and his appointment was approved by the Board as a whole.

Responsibilities and composition of the Principal Board Committees

There are four principal committees of the Board:

- The Audit and Risk Committee - responsible for the integrity of the Financial Statements and narrative reporting, including annual and half year reports
- The Environmental, Social and Governance (ESG) Committee - responsible for defining the Group's strategy related to ESG matters
- The Nominations Committee - responsible for ensuring the leadership needs of the Company are sufficiently appropriate to ensure continued ability to compete effectively in the marketplace
- The Remuneration Committee - responsible for the design, development and implementation of the Directors' Remuneration Policy

Each principal Board committee has formal Terms of Reference (TORs), which sets out the Committee's delegated role and authority and is approved by the Board. The TORs for each Committee, as well as the current Committee members, are available on the Company's website www.pharos.energy/about-us/governance/committees/.

Time commitment

The Board has four scheduled meetings a year, with additional meetings scheduled as required in connection with the efficient and diligent operation of the business of the Company.

In 2023, in addition to the four scheduled quarterly meetings, the Board also met on an additional three occasions to deal with specific business matters which required Board approval. One of the additional meetings included the Board Strategy Day in November 2023, attended by all members of the Board, certain other colleagues and a number of external stakeholders and advisers.

Only Committee members are required to attend their respective meetings. Other Directors are invited to attend meetings of committees of which they were not members, where determined to be appropriate or beneficial. In addition, the chairs of the principal Board committees provide an update at each full Board meeting. The attendance table for the Committee and Board meetings in 2023 can be found on page 102.

Composition, succession and evaluation

Board composition and succession

The Nominations Committee ensures the leadership needs of the Company are met and maintained appropriately to allow it to compete effectively in the marketplace. Board appointments are made through a formal process led by the Nominations Committee. In relation to the recruitment and appointment of Non-Executive Directors, the Committee recognises the emphasis placed by the 2018 Code on the engagement of an external search consultancy or the open advertising of vacancies. A well-established international executive search firm was engaged during the year in connection with the search for a new independent Non-Executive Director from a technical background. This process ultimately resulted in the appointment of Dr Bill Higgs as a Director on 16 January 2024.

The Directors' roles are established in writing and approved by the Board. Biographical details are provided on pages 104 & 105.

Diversity and Inclusion

We believe in a workforce with a diversity of experience, nationalities, ethnicities, cultural backgrounds and gender, to support our business strategy of long-term sustainable growth. We are proud that we are able to recruit talents from diverse backgrounds and ethnicities. As at year-end 2023, our UK-based staff comprises 17 people from 10 different nationalities, of which women accounted for c.65%, which ensures that we cultivate a culture that recognises and promotes diversity in all forms and where every voice is heard. Our Code of Business Conduct and Ethics, associated policies and procedures, and the Pharos Guiding Principles commit us to providing a workplace free of discrimination where all employees can fulfil their potential based on merit and ability. They also commit us to providing a fully inclusive workplace, while providing the right development opportunities to ensure existing staff have rewarding careers.

During the year, the Company also undertook a Group-wide survey of staff on questions and perceptions of diversity, equity and inclusion within the organisation. The results of this survey are expected to form the basis for a workshop, seminar or similar event for staff during 2024.

Throughout the year, the Company complied with 2 out of 3 targets set by LR 9.8.6R(9) of the FCA's Listing Rules. As at 31 December 2023, the Company had:

- Four female Directors, representing two thirds of the Board
- Both Executive Director positions (Chief Executive Officer and Chief Financial Officer) held by women

The LR 9.8.6R(9) target with which the Company did not comply in 2023 related to ethnic diversity. There is no member of the Board from a minority ethnic background. The Company continues to seek and welcome candidates for the Board from a minority ethnic background for positions on the Board, and there is considerable diversity within the management team immediately beneath the Executive Directors.

Equality, diversity and inclusion sit at the heart of our recruitment, development and promotion processes. These principles were taken into consideration during the Nominations Committee's evaluation and recruitment process for a new Independent Non-Executive Director with technical experience, but the Board was in agreement that Dr Bill Higgs was an outstanding candidate and the best choice for the role from a very high-quality shortlist. In reaching this decision, the Board took into account that Dr Higgs is a qualified geologist with extensive expertise in all engineering and other technical and commercial aspects of hydrocarbon exploration, development and production acquired over 30 years of global exploration, development and operations experience, including more than 10 years in executive roles for listed independent exploration and production companies. He was appointed in January 2024.

For more information on the gender and ethnic diversity of our corporate employees and senior management, please see page 70 of the Corporate Responsibility report.

Annual re-election of Directors

All Directors annually retire and seek re-election by shareholders at the Company's AGM. In the case of Dr Bill Higgs, he will seek election by shareholders for the first time at the 2024 AGM, having been appointed by the Board since the 2023 AGM. The Nominations Committee makes its recommendation to the Board on each election or re-election resolution. Pending the Chair confirming his satisfaction that each Director continues to perform effectively and with the appropriate commitment to the role, the full Board then determines its own recommendation to shareholders in relation to those resolutions.

The Committee formed its recommendations regarding the re-election resolutions at the 2023 AGM following assessments of Board balance, composition and independence.

Board effectiveness and evaluation

The Nominations Committee assesses the Board's balance of skills, experience, independence, diversity, tenure and knowledge of the Company and the industry on an annual basis. The assessments in 2023 included consideration of the Company's leadership needs within the context of growth, portfolio diversification and long-term strategy. Those assessments were another key factor in the appointment of Dr Bill Higgs as a new Independent Non-Executive Director in January 2024, the culmination of a process intended to ensure that the current balance of the Board is appropriate and sufficient to effectively promote the long-term success of the Company. As discussed above, Dr Higgs brings to the Board extensive upstream technical expertise and experience to complement the skillset and disciplines of the other Board members.

Remuneration

Remuneration principles

The Remuneration Committee is responsible for the design, development and implementation of the Directors' Remuneration Policy.

In determining the remuneration packages awarded to management, the Board and the Remuneration Committee have continued to aim at providing incentive schemes that reflect the characteristics of attractive rewards, fairness and restraint. Appropriate advice on best practice is taken from an independent advisor.

Directors' Remuneration Policy

Our overarching aim is to operate a Directors' Remuneration Policy which rewards senior management at an appropriate level for delivering against the Company's annual and longer-term strategic objectives. The policy is intended to create strong alignment between Executive Directors and shareholders.

In line with applicable law, we are required to review and propose to shareholders the Directors' Remuneration Policy at least once every three years. As the policy was recently reviewed, updated and approved at the 2023 AGM, the latest by which a revised policy will be put to shareholders for approval is the 2026 AGM. The terms of the revised policy approved at the 2023 AGM are set out on pages 126 to 142 of this report.

Pension and benefits

All eligible employees have the same access to the same pension contribution rate (15% of salary) and access to a similar level of benefits.

Directors' shareholdings and share interests

The Board has a policy requiring Executive Directors to build a minimum shareholding of 200% of their annual salary. Additionally, Long-Term Incentive Plan (LTIP) awards to the Executive Directors have a two-year holding period following vesting. This is intended to emphasise a commitment to the alignment of Executive Directors with shareholders and a focus on long term stewardship.

Audit, Risk and Internal Control

Financial reporting and significant accounting matters

During the first half of 2023, the Group's accounting policies, in accordance with best practice, were reviewed by management and the Audit and Risk Committee to ensure that they remained appropriate for the Group's activities. Following this review, the Group's accounting policies were judged to be fully up-to-date and there were no significant changes recommended to the Board by the Committee.

Significant issues related to the 2023 Financial Statements

The Audit and Risk Committee identified the significant issues (disclosed in more detail in the Audit and Risk Report) that should be taken into consideration in relation to the Financial Statements for the year ended 31 December 2023, being key issues which may be subject to heightened risk of material misstatement.

Fair, balanced and understandable

The Audit and Risk Committee advised the Board whether the annual report and accounts taken as a whole are fair, balanced and understandable and provide the range of information necessary for shareholders to assess the Group's performance, business model and strategy. The Directors have confirmed this in their Responsibility Statement set out on page 147 of the Directors' Report.

Going Concern

Management completed their Going Concern assessment which was challenged and reviewed by the Audit and Risk Committee. The assessment included a "Base Case" for the Group, including cash flow estimates for both Egypt and Vietnam, as well as a "Reasonable Worst Case" scenario, giving particular regard to the continuing impact of commodity price volatility. A further assessment was also undertaken on the impact of climate change on commodity prices and a sensitivity on carbon taxes.

Under these scenarios, management has assessed, on a conservative basis, the risks around commodity pricing, operational risk and political and regional risks, particularly in Egypt.

UK CORPORATE GOVERNANCE CODE - continued

Based on this detailed analysis, management has concluded that the Group will continue as a Going Concern for 12 months from the date of signing of the 2023 Financial Statements.

Following its review of management's Committee paper and in-depth walk through of assumptions, the Audit and Risk Committee are satisfied that it is appropriate to prepare the 2023 Financial Statements on a Going Concern basis.

For more information, please see the Viability Statement in the Strategic Report on pages 60 to 61.

Internal controls and risk management systems

The Group's internal control framework and risk management processes are designed to ensure that risk identification, assessment and mitigation is properly embedded throughout the organisation. The risk management approach is designed to provide the Audit and Risk Committee and the Board with reasonable assurance that financial irregularities and control weaknesses will be identified to mitigate risks that could potentially have a material adverse impact on the Group's operations, earnings, liquidity and financial prospects.

During 2023, the Group continued to carry out comprehensive reviews of the overall effectiveness of its internal controls framework and continued to work on improvements.

The Board is primarily responsible for the effectiveness of the Group's internal control systems which are monitored and improved on an ongoing basis.

The Audit and Risk Committee has been delegated the responsibility to monitor and assess the effectiveness of the control systems operated by management. The external auditor, Deloitte, also provides feedback and recommendations on controls which are brought to the attention of the Committee.

Internal controls and risk management issues are discussed in detail and reviewed for effectiveness at each Committee meeting, with a report being provided to the Board for approval.

Internal controls focus for 2023

The Treasury Committee, an executive committee chaired by the CFO, continued to meet regularly to review the compliance of RBL covenants and to also review the Group's liquidity, hedging requirements and investment strategy.

The Audit and Risk Committee reviewed and approved the related compliance statements set out in the Risk Management Report.

The Audit and Risk Committee has also reviewed and approved the statements regarding compliance with the 2018 Code, in the Corporate Governance Report on page 106. The Committee reviewed and discussed with management and the external auditor the Company's relevant financial information prior to recommendation for Board approval. This included the Financial Statements and other material information presented in the annual and half year reports. The Committee considered the significant financial reporting issues, accounting policies and judgements impacting the Financial Statements, and the clarity of disclosures. The Committee conducted a review of its Terms of References (TORs) for best practice, which were approved by the Board in 2023. These will be reviewed again during 2024.

The Audit and Risk Committee and the Board have conducted a review of the effectiveness of the Group's risk management and internal control systems.

Overall, the control environment was considered to be operating effectively. We recognise the oil and gas industry faces many challenges ahead, including the technical, financial, environmental and political challenges of accessing an increasingly scarce resource base and at the same time coping with the opposing dual challenges of production growth but managing transition to a low carbon future. On 6 December 2023, the Company published the Net Zero roadmap to achieve net zero greenhouse gas (GHG) emissions by 2050.

Our Strategic Framework takes into consideration the range of potential risks and the nature of their impact on the business. The strategic ambitions of the Group, achieving our financial and ESG objectives, maintaining operational effectiveness, ensuring our reputation to markets, partners, and stakeholders are all assessed in the context of our appetite for risk.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Company. There is an effective internal control function within the Company which gives reasonable assurance against any material misstatement or loss. The Board and management will continue to review the effectiveness and the adequacy of the Company's internal control systems and update such as may be necessary.

Risk assessment

The Audit and Risk Committee conducted a detailed risk assessment in which it reviewed existing risks and identified new risks as appropriate. The likelihood and significance of each risk was evaluated along with proposed mitigating factors and was reported to the Board. All new risks or changes to existing risks were monitored throughout the year and discussed at each Committee meeting. The Committee maintains a comprehensive bribery risk assessment and mitigation procedure to ensure that the Group has procedures in place to mitigate bribery, and that all employees, agents, contractors, and other associated persons are made fully aware of the Group's robust policies and procedures on a regular basis. It is also a requirement for all Group employees and the Board to complete and successfully pass their ABC and Criminal Finance E-Learning modules training every year.

External auditor

Deloitte LLP was originally appointed as external auditor to the Company in 2002. The Statutory Auditors and Third Country Auditors Regulations 2016 (the "2016 Regulations"), amending the Companies Act 2006, introduced a requirement for all public interest entities, including listed companies, to conduct a tender for external audit services no less frequently than every 10 years and rotate auditors no less frequently than every 20 years.

For engagements starting in a financial year beginning on a date between 17 June 1994 and 17 June 2003, as is the case with the Company's engagement of Deloitte LLP, the last permitted year of the engagement under the 2016 Regulations is the last financial year to begin before 17 June 2023. Accordingly, the financial year commencing 1 January 2023 is the final year for which Deloitte LLP can act as external auditor to the Company.

Following this process, the Company announced in its Preliminary Results statement on 22 March 2023 that it had agreed in principle to appoint Ernst & Young LLP to succeed Deloitte LLP as external auditor with effect from the financial year commencing 1 January 2024. During the second half of 2023 and the early part of 2024, Ernst & Young LLP "shadowed" Deloitte's work as external auditor, with a view to preserving know-how and experience and encouraging a seamless transition. Shareholders are being asked to approve the appointment of Ernst & Young LLP as external auditor for the financial year commencing 1 January 2024 at the 2024 AGM.

In each year, the Audit and Risk Committee assesses the performance of the external auditor based on their experience, the quality of their written and oral communication and input from management, prior to making any recommendations as to the appointment or re-appointment of the external auditor at the AGM. The Committee also assesses the independence of the external auditor once a year and the lead partner is required to be rotated every five years. The current Deloitte LLP lead partner is Anthony Matthews, who is compliant with the rotation requirements throughout Deloitte's final year as external auditor. Other senior audit staff are rotated every five to seven years.

External auditor - non-audit services

The external auditor is appointed primarily to carry out the statutory audit and their continued independence and objectivity is crucial. In view of their knowledge of the business, there may be occasions when the external auditor is best placed to undertake other services on behalf of the Group. The Audit and Risk Committee has a policy which sets out those non-audit services which the external auditor may provide and those which are prohibited. Within that policy, any non-audit service must be approved by the Committee.

Before approving a non-audit service, consideration is given to whether the nature of the service, materiality of the fees, or the level of reliance to be placed on it by the Group would create, or appear to create, a threat to independence.

If it is determined that such a threat might arise, approval will not be granted unless the Committee is satisfied that appropriate safeguards are applied to ensure independence and that objectivity is not impaired. The auditor is prohibited from providing any services which might result in certain circumstances that have been deemed to present such a threat, including auditing their own work, taking management decisions for the Group or creating either a mutuality or conflict of interest. The Company has taken steps to develop resources and relationships in order to establish availability of alternate advisers for financial and other matters.

Principal and emerging risks

On page 48, we set out our assessment of the principal and emerging risks facing the business. The Group Risk Management framework requires that all business units within the Group conduct on-going risk management and reporting to the Audit and Risk Committee and the Board. The Group Risk Management Policy defines the specifics of the risk management process, describes the risk tools (for example, the preparation and maintenance of a Group risk matrix and risk register) and outlines the reporting process and responsibilities in order to meet the Group's risk governance framework.

UK CORPORATE GOVERNANCE CODE - continued

Accountability statement page references

Accountability statements	Report	Page(s)
Strategic objectives and Business model	Strategic Report	8, 24
Directors' responsibility statement	Directors' Report	147
Auditor's statement	Independent Auditor's Report	149
Going concern	CFO Statement	47
Critical judgements and accounting estimates	Note 4 to the Financial Statements	166
Viability Statement	Risk Management Report	60
Risk Management and Internal Control	Risk Management Report	48
	2018 UK Corporate Governance Report	111, 112
	Audit and Risk Committee Report	122
Audit, Risk and Internal Control	2018 UK Corporate Governance Report	110-112
	Audit and Risk Committee Report	122-125
Nominations Committee	2018 UK Corporate Governance Report	109, 110
	Nominations Committee Report	117

Changes during the year

The Board

Members	6
Execs	2
NEDs	4
Independent NEDs	John Martin (Chair, independent on appointment) Geoffrey Green Lisa Mitchell Marianne Daryabegui
Appointed	0
Retired	0

Audit and Risk Committee

Members	3
Appointed	0
Retired	0

Remuneration Committee

Members	3
Appointed	0
Retired	0

Nominations Committee

Members	5
Appointed	0
Retired	0

Environmental, Social and Governance Committee

Members	6
Appointed	0
Retired	0

JOHN MARTIN
ESG Committee Chair

Dear Shareholders,

During 2023, the Environmental, Social and Governance ('ESG') Committee was comprised of myself as Chair, Jann Brown, Sue Rivett, Marianne Daryabegui, Lisa Mitchell and Geoffrey Green.

As Chair of the Committee, I convene meetings on a regular basis and report to the Board throughout the year.

The ESG Committee has a Term of Reference outlining its responsibilities, which is reviewed and updated as appropriate by the Board on an annual basis. This is available on our website at www.pharos.energy/about-us/governance/committees/.

Meeting attendance

Committee member	2023 attendance			
John Martin (Chair) ^	Attended as member	Attended as member	Attended as member	Attended as member
Jann Brown	Attended as member	Attended as member	Not attended	Attended as member
Sue Rivett	Attended as member	Attended as member	Attended as member	Attended as member
Marianne Daryabegui ^	Attended as member	Attended as member	Attended as member	Attended as member
Lisa Mitchell ^	Attended as member	Attended as member	Attended as member	Attended as member
Geoffrey Green ^	Attended as member	Attended as member	Attended as member	Attended as member

^ Independent Directors

Attended as member

Not attended

Note: Jann Brown was unable to attend one ESG Committee meeting due to the meeting being necessarily arranged at short notice at a time when she was not available due to a meeting with an international business partner previously arranged.

Key responsibilities

The Committee is constituted by the Board to:

- Oversee the Group's management and compliance with climate-related reporting and disclosure requirements, including applicable rules and principles of corporate governance, and applicable industry standards;
- Assist the Board in defining and implementing the Group's corporate responsibility strategy;
- Review the policies, programmes, practices and initiatives of the Group relating to corporate responsibility matters, ensuring they remain effective and up to date;
- Report on these matters to the Board and, where appropriate, make recommendations to the Board; and
- Report as required to shareholders of the Company on the activities and remit of the Committee, and in achieving corporate responsibility and Net Zero targets.

ESG Committee meetings in 2023

The Committee met four times during 2023. These meetings were regularly scheduled Committee meetings held in March, May, September and December. At each meeting, the Committee reviewed and discussed:

- HSES quarterly performance reports, which includes review of KPIs for both safety and environmental matters, and all HSES plans, policies and procedures
- GHG emissions in Egypt and Vietnam
- Proposed carbon-reduction initiatives in Egypt and Vietnam, as part of the Group's Net Zero Roadmap
- Emissions Management Fund
- Publication of the Net Zero Roadmap
- TCFD reporting, CDP disclosure and annual Corporate Responsibility ("CR") Report
- Development of environmental regulations and COP events
- Procedures in place to ensure safe workplace and practices
- Appointment of a Charity and Community Projects Committee as a sub-committee of the ESG Committee to oversee Group's social investment projects

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') COMMITTEE REPORT - continued

In addition to members of the Committee, additional non-committee members, such as the Group Risk Manager, Reservoir Engineer, Group Head of Technical, General Counsel and Investor Relations Analyst were invited to attend Committee meetings.

Internal Net Zero working group meetings were also held separately from ESG Committee meetings. There was noted to be buy-in on corporate responsibility matters across the Group.

During 2023, the following additional areas were reviewed and discussed at each meetings:

March

- 4Q 2022 HSES performance report
- KPIs for both safety and environmental matters along with emissions levels and the recent safety event, noting one LTI and one environmental spill from Egypt in 2022
- Draft ESG Committee report to be included in the Annual Report 2022
- Annual Committee performance evaluation, which was discussed at the Nominations Committee meeting held on the same day

May

- 1Q 2023 HSES performance report
- GHG emissions performance, noting the flaring in Egypt was being kept in check
- Development of Net Zero Roadmap, noting assumptions, scenarios, projected future emissions, challenges and considerations going forward
- Scope 3 emissions reporting trend in the wider oil & gas industry
- Corporate responsibility disclosure considerations in the overall business outlook and strategy
- Other lower-carbon energy opportunities being explored

September

- 2Q 2023 HSES performance report
- KPIs for safety and environmental matters, noting no environmental incidents across the Group in 2Q
- Development of Net Zero Roadmap, noting peer groups' reporting journey, recommended disclosure approach, and review frequency once published
- Progress on Scope 3 high-level assessment
- Proposal to appoint a sub-committee of the ESG Committee to oversee the Group's social investment projects

December

- Establishment of the Charity and Community Projects Committee, overseeing the Group's social investment projects
- Update on social investment projects selected by the Charity and Community Projects Committee
- 3Q 2023 HSES performance report, noting no LTI and no further environmental incidents
- GHG emissions performance, noting the Group remained on course to meet its targets
- Development of Net Zero Roadmap, noting feedbacks from the Board at its Strategy Day meeting in November 2023 and input from the Group's technical consultants
- Resolution for the Net Zero Roadmap to be published on 6 December 2023
- Progress on TCFD reporting & Scope 3
- Commentary on COP28 and its outcomes

Notable matters discussed during the year:

Net Zero Roadmap & Emissions Management Fund

In December 2023, Pharos published its Net Zero Roadmap following its formal commitment in September 2022 to achieve net zero greenhouse gas (GHG) emissions by 2050.

The net zero roadmap, which was researched and developed by the Company in close consultation with specialist advisors and consultants, models emission reduction pathways to achieve net zero Scope 1 (direct) and Scope 2 (indirect) GHG emissions from all existing and proposed future assets by 2050 or before. Based on this modelling, the roadmap contains interim targets set against the Company's 2021 baseline year, which have been approved by the Board.

In order to realise our climate commitment to achieve Net Zero GHG emissions from all our future and existing assets by no later than 2050, Pharos prioritise reducing emissions by achieving operational efficiencies, reducing flaring and venting, replacing the power consumption of our facilities with less impactful energy sources and eventually procuring nature-based carbon offset projects for hard-to-abate, residual emissions.

More details of our climate strategy, including interim targets and the decarbonisation levers at asset-levels, can be found in our Net Zero Roadmap published in December 2023 on our website (www.pharos.energy/media/b55c4sqz/pharos-energy-net-zero-roadmap-2023_official.pdf).

The Group has non-controlling equity stakes in its producing assets and is non-operating. As a result, it has no direct control over the majority of its emissions inventory but it can exercise influence through the joint operating companies in Vietnam and Egypt in conjunction with the other JOC partners. The Company will use the Net Zero Roadmap to continue to engage with the JOCs, partners and governments on reducing emissions where possible through the options identified. To the extent within its control, the Company will continue reducing its own emissions and remain committed to transparency in reporting and to keeping stakeholders updated on progress.

In addition, the Company established an Emissions Management Fund in September 2022. From every barrel net to the Group sold at an oil price above $75 per barrel, a contribution of $0.25 is made to the Fund. The current value of the Emissions Management Fund is now c.$400,000. In line with the net zero roadmap, this Fund is available to provide financial support for emissions management projects undertaken directly by the Group or through the JOCs.

Health & Safety

In 2023, the JOCs in Vietnam continue to deliver an exceptional record of safety, reporting zero LTIs since operational inception, representing more than 10 production years on TGT and 13 production years on CNV. In Egypt, no lost time injuries were recorded in 2023. However, there were two motor vehicle crashes recorded in the first quarter, which fortunately did not resulted in any injuries. We continuously work with the operator IPR and the JOC Petrosilah to address any underlying issues identified in safety measurements and precautions in our operations.

In Vietnam, the JOCs conducted over 200 HSE training sessions and 100 emergency response drills respectively during 2023 to ensure safety and preparedness remain a top priority. In Egypt, we continually reinforce and implement safe working procedures such as inspection of all instruments and equipment, obtaining the requisite permit to work applications, providing training and awareness sessions and above all implementing checks to ensure risks are reduced to acceptable levels and encourage the immediate use of stop-cards.

HSES performance of the Group was reviewed and discussed at every ESG Committee meeting in 2023. All incidents during the year were investigated and lessons learned as appropriate and actions to prevent recurrence were implemented.

KPIs

KPIs for both safety and environmental matters were reviewed and discussed at all four ESG Committee meetings in 2023. Whilst the Group maintained its safety record of 0 LTI across both Egypt and Vietnam, the two environmental incidents in Egypt have resulted in bonus outcomes for this element to be zero. For more details of 2023 safety and environmental KPIs, please see page 129 of the Directors Remuneration Report.

Task Force on Climate-related Financial Disclosures

The Company continued to bring our disclosures in line with the four pillars of the TCFD in 2023 – Governance, Strategy, Risk Management, and Metrics & Targets. Full details of our TCFD disclosure can be found in our TCFD report on pages 83 to 98. As at year end 2023, Pharos is compliant with 10 out of 11 of TCFD recommendations.

CDP

In 2023, the Company continued its participation in the CDP Climate Change and Water Security Questionnaire, successfully maintaining our score of (C) for both disclosures, which is also the global average. Both questionnaires were completed through collaborative efforts across multiple disciplines and functions within the Group, with oversight and approval from the Chief Financial Officer before submission.

Social impacts

In recent years, we have structured our social investment programme to align more with the United Nations Sustainable Development Goals (UN SDGs).

Pharos works closely with our local partners and joint ventures in order to make sure that our social initiatives in the region continue to bring more positive impacts to the region. In 2023, a total of $247,373 was invested in 22 social and community projects in Egypt, Vietnam and UK, and a further $500,000 was invested in ring-fenced funds for training to develop future talents in the industry in Egypt and Vietnam.

Further details can be found in our Corporate Responsibility report on pages 62 to 82.

JOHN MARTIN
ESG Committee Chair

NOMINATIONS COMMITTEE REPORT

JOHN MARTIN
Nominations Committee Chair

Meeting attendance

Committee member	2023 attendance
John Martin^ (Chair)	■ ■ ■ ■ ■
Jann Brown	■ ■ □ ■ ■
Marianne Daryabegui^	■ ■ ■ ■ ■
Lisa Mitchell^	■ ■ ■ ■ ■
Geoffrey Green^	■ ■ ■ ■ ■

^ Independent Directors

■ Attended as member

□ Not attended

Note: Sue Rivett attended as a non-committee member for the meetings in Q1 and Q2 2023.

Jann Brown was unable to attend one Nomination Committee meeting due to the meeting being necessarily arranged at short notice at a time when she was not available.

Dear Shareholders,

The Committee has continued to ensure that Board independence was preserved during 2023 and will continue into 2024, taking into account the Board composition requirements of the 2018 UK Corporate Governance Code. The Committee has also noted the provisions of the 2024 UK Corporate Governance Code (the '2024 Code') announced by the Financial Reporting Council in January 2024, the majority of which will come into force for financial years commencing on or after 1 January 2025. The Committee does not anticipate any significant change to its approach to Board independence and composition when the 2024 Code comes into effect.

Role of the Committee

The Nominations Committee (the 'Committee') has responsibility for:

- Ensuring the composition of the Company's leadership remains effective and competitive;
- Leading the process for Board and committee appointments and making recommendations to the Board;
- Annually reviewing the Board balance, structure, composition, diversity and succession planning; and

Establishing an ongoing process for evaluating the Board's performance and effectiveness.

Membership

During the year, the Committee comprised John Martin as Chair, the Chief Executive Officer Jann Brown, and the three Independent Non-Executive Directors ('NEDs'), Marianne Daryabegui, Lisa Mitchell and Geoffrey Green. Dr Bill Higgs was appointed as an additional Non-Executive Director in January 2024.

The qualifications of each of the Chair and members of the Committee are set out on page 104.

Meetings

The Committee conducted its duties through five meetings held during 2023. During the year the following areas were discussed at the Committee meetings:

2023	Matter
Q1	Review and approval of Nominations Committee report for inclusion in the 2022 Annual Report and Accounts Annual review of Director's conflicts of interest register Annual Director reappointment Annual Committee Performance Evaluation
Q2	Discussion on search and potential recruitment of a new Independent NED from a technical background, including review of a proposed specification for the role
Q3	Update on NED Recruitment
Q4	Succession planning Update on NED Recruitment and recommendation to the Board Draft Board Evaluation Questionnaire

As at 31 December 2023, the Board comprised two Executive Directors and four NEDs, including the Chair. All of those NEDs (discounting the Chair, who was independent on appointment) were considered independent for the purposes of the 2018 Code. John Martin remains Chair of the ESG Committee and Chair of the Nominations Committee.

Board refreshment and succession planning

Board refreshment and succession planning continue as ongoing processes. In 2023, the Committee's priority was to maintain the independent component of the Board and to fully comply with the 2018 Code, whilst also consulting with key shareholders and other stakeholders on the skillset and balance of the Board. In 2023, this consultation, in conjunction with the annual Board evaluation, resulted in a decision to commence recruitment for an additional Independent NED with technical, expertise, preferably with a background in geoscience.

The NED recruitment process is summarised in "Appointments Process" below. On 16 January 2024 we announced the appointment of Dr Bill Higgs as an Independent NED with immediate effect.

Appointments Process

Board appointments are made through a formal process led by the Nominations Committee. In relation to the recruitment and appointment of NEDs, the Committee recognises the emphasis placed by the 2018 Code on the engagement of an external search consultancy of the open advertising of vacancies.

More recently, the Committee oversaw the search in 2023 for a further NED from a technical background. In line with the 2018 Code, the Committee engaged Korn Ferry, an international management consulting and search firm, in connection with the process. Other than having been previously engaged by the Company in a similar capacity, Korn Ferry has no connection with the Company or any of the individual Directors.

The search process was undertaken in the customary manner, involving an initial longlist compiled with the benefit of Korn Ferry's input and extensive market knowledge. This longlist was then narrowed down in phases following further discussions and evaluation, eventually being reduced to a shortlist of suitable candidates that had the opportunity to meet with all members of the Board and senior management. Where possible, these meetings were undertaken face-to-face rather than by video conference. The Committee were regularly consulted throughout the process.

From a very high-quality shortlist, the Committee recommended to the Board the addition of Dr Bill Higgs as a new independent NED and, following the Board's approval, Dr Higgs was appointed on 16 January 2024. Dr Higgs is a qualified geologist with extensive expertise in engineering and other technical and commercial aspects of hydrocarbon exploration, development and production, acquired over 30 years of global exploration, development and operations experience, including more than 10 years in executive roles for listed independent exploration and production companies. The Committee believes Dr Higgs is an outstanding appointment that will contribute significant value to the Board and the business as a whole.

Independence

As at the date of this report, the Committee and the Board are satisfied that all of the NEDs (discounting the Chair, who was independent on appointment), are independent. In reaching this assessment, the Committee and the Board have taken into account the considerations described in the 2018 Code.

The Committee notes in particular that Marianne Daryabegui has served as a Director for just over eight years in total in two phases (October 2013 to October 2016 and March 2019 to present). The Committee and the Board continue to regard Marianne as independent under the 2018 Code and believe that her relevant period of service for the purpose of assessing independence should be treated as commencing in March 2019, because of the 30-month gap between her two periods of office. The Committee intends to consult with proxy advisory firms on this issue during 2024, well in advance of the 2025 AGM.

Board balance

The Committee assesses the Board's balance of skills, experience, independence, diversity, tenure and knowledge of the Company and the industry on an annual basis. The assessment in 2023 included consideration of the Company's leadership needs within the context of growth, portfolio diversification and long-term strategy. The discussions determined that the balance is appropriate and sufficient to effectively promote the long-term success of the Company but would be further enhanced through the process already underway to increase the number of Independent NEDs, which resulted in the appointment of Dr Bill Higgs in January 2024.

The Board's current balance and composition in 2024 are shown on page 102.

Diversity

Our approach to diversity and inclusiveness is embedded within the Group's Human Rights Policy available on the Company's website at www.pharos.energy/responsibility/policy-statements/. A key aim of the Policy is a workplace that is inclusive and free from discrimination.

In applying the Human Rights Policy to Board composition, the Committee pursues diversity of approach, experience, knowledge, skills, and professional, educational and cultural backgrounds. The international and global perspective achieved has enhanced the Board's discussions on business development, M&A and operational and financial integration.

At present the Board composition scores highly on gender diversity, with 67% female representation throughout 2023. With the appointment of Dr Bill Higgs, this representation has decreased slightly to 57% but remains a majority. The average age of the Board is 65, which is a little higher than the average for listed companies, but not dramatically so. There is no minority ethnic representation on the Board although, as noted in this report the Group's staff as a whole, including the management team immediately below the Executive Directors, has significantly more ethnic diversity. In theory this organisational diversity should, in the longer term, filter upwards to senior management and potentially to executive representative on the Board.

In its annual review of diversity, the Committee noted diversity of gender, age, demographics, skills, professional backgrounds, experience and education amongst the Board and senior management.

NOMINATIONS COMMITTEE REPORT - continued

Board evaluation

At the end of 2023, in line with the UK Corporate Governance Code, the Board carried out its annual evaluation of its own performance and effectiveness and that of its principal Committees, the Chair and the individual Directors. In doing so, the outcomes of last year's review were also considered. The Committee Chair led the process which was facilitated by the Company Secretary and followed a similar format to that of prior years. Directors completed confidential questionnaires covering the key areas as set out below. The questions were structured to encourage full, in-depth responses on each area of focus:

- Strategy
- Risk
- Shareholder and stakeholder relations
- Succession planning
- The Chair's effectiveness
- Board effectiveness and operation
- The operation of each of the principal Board committees
- Board training and development needs
- Any other general matters Directors wished to raise

The results were reported on an unattributed basis and discussed by the Committee, led by the Committee Chair, then shared with the whole Board. The results of the Chair's performance review were discussed with the other NEDs, led by the Senior Independent Director, and communicated to the Chair. Following the evaluation process, a number of areas were identified for ongoing focus in 2024 including:

- Continued focus on long-term strategy and implementation of related actions
- Continued enhancement of risk review processes
- Ongoing shareholder engagement
- Succession planning and talent development
- ESG considerations

Re-election

All Directors annually retire and seek re-election by shareholders at the Company's AGM. The Committee makes its recommendation to the Board on each re-election resolution. Pending the Chair confirming his satisfaction that each Director continues to perform effectively and with the appropriate commitment to the role, the full Board then determines its own recommendation to shareholders in relation to those resolutions, considering the recommendations of the Committee.

The six Directors retired and offered themselves for re-election at the 2023 AGM. All Directors were duly re-elected at the 2023 AGM, each receiving more than 84% of the proxy votes submitted in advance of the meeting.

The Committee is satisfied that each individual Director's performance continues to be effective and demonstrates commitment to the role and, accordingly, has recommended to the Board that each such Director remains in office subject to re-election by shareholders at the AGM. In the case of Dr Bill Higgs, he will seek election by shareholders for the first time at the 2024 AGM, having been appointed by the Board since the 2023 AGM. The Committee and the Board both recommend that shareholders vote in favour of the election of Dr Higgs.

The Committee formed its recommendations regarding re-election following assessments of Board balance, composition and independence.

Workforce engagement

In his role as Independent Non-Executive Director responsible for workforce engagement the Committee Chair joined global office staff for the first Group-wide offsite event in June, at which staff members were able to discuss matters of interest. In addition to this event, the Committee Chair has regularly attended Company functions and meetings at the London office and other venues and remains approachable to all staff.

This engagement has proved an effective communication route for the employees and demonstrates the values of openness and integrity to which we are committed.

Board development, information and support

Throughout 2023, all Directors received ongoing access to resources for the update of their skills and knowledge; both on an individual and a full Board basis. Comments are solicited in the annual Board evaluation and discussed with the Chair.

Conflicts of interest

The Board has the power, subject to certain conditions, to authorise, where appropriate, a situation where a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Such authority is in accordance with section 175 of the Companies Act 2006 and the Company's articles of association. Procedures are in place for ensuring that the Board's powers to authorise conflicts are used effectively and appropriately. Directors are required to notify the Company of any conflicts of interest or potential conflicts of interest that may arise, before they arise, either in relation to the Director concerned or their connected persons. The decision to authorise each situation is considered separately on its particular facts.

Only Directors who have no interest in the matter under discussion are able to take the relevant decision to authorise a conflict and must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will impose such limits or conditions as they deem appropriate when giving authorisation or when an actual conflict arises. These may include provisions relating to confidential information, attendance at Board meetings and availability of Board papers, along with other measures as determined appropriate.

Each Director has notified the Board of either the potential for or the absence of conflicts. The Board assesses every notification of a conflict on its own merits, including the implementation of appropriate limits and conditions, prior to giving authorisation for any specific conflict or potential conflict to exist.

The Board assesses its conflict authorisations on an ongoing basis throughout the year and additionally performs a scheduled review in December.

JOHN MARTIN
Nominations Committee Chair

LISA MITCHELL
Non-Executive Director

Dear Shareholders,

I am pleased to present this Audit and Risk Committee Report for the year ended 31 December 2023, which sets out the role and work of the Committee during the year. The Audit and Risk Committee have focused their work on financial controls, prudent financial management, including risk management and mitigation, and other ESG matters.

Meeting attendance

Committee member	2023 attendance
Lisa Mitchell (Chair) ^	■ ■ ■
Marianne Daryabegui ^	■ ■ ■
Geoffrey Green ^	■ ■ ■

^ Independent Directors

Attended as member

Not attended

Note: Sue Rivett and John Martin attended all of the meetings as non-committee members.

Membership and responsibilities

During 2023, the Audit and Risk Committee comprised me as Chair, Marianne Daryabegui and Geoffrey Green.

As Chair of the Committee, I convene meetings on a regular basis and report to the Board throughout the year.

The Audit and Risk Committee has a formal document outlining its responsibilities, which is reviewed and updated as appropriate by the Board on an annual basis.

The Audit and Risk Committee Terms of Reference are available on our website, www.pharos.energy/about-us/governance/committees/.

Key responsibilities

- Reviewing key financial, operational and corporate responsibility risk management processes;
- Reviewing the effectiveness of internal control processes and systems, including IT control platforms;
- Monitoring the integrity of the Financial Statements of the Group and formal announcements relating to the Group's financial performance;
- Reviewing any significant financial reporting judgements;
- Reviewing and testing the integrity of the Group's Financial Statements to ensure full compliance with international financial reporting standards and requirements;
- Overseeing the planning and execution of the ongoing external audit programme including a detailed review of audit quality and results.

AUDIT AND RISK COMMITTEE REPORT - continued

Audit and Risk Committee meetings in 2023

The Committee met three times during 2023. These meetings were the regularly scheduled Committee meetings held in March, September and December.

The Committee examines and discusses at each meeting:

- Detailed review of internal controls and implementation of upgrades
- Review of the risk register and risk management reports, including updates on Russian sanctions, a full paper also goes to the Board

In addition to members of the Committee, all members of the Board, the finance management team, operational management and the Group's external auditor, Deloitte, attended each of the Audit and Risk Committee meetings.

During 2023, the following additional areas were discussed at meetings of the Committee:

March

- Review an update of the Modern Slavery and Human Trafficking Statement, Climate Change Policy, HSE Policy, Social Responsibility Policy, Security Policy, Biodiversity and Conservation Policy, Human Rights Policy, Code of Business Conduct and Ethics, Risk Management Policy, Tax Strategy Statement and Non-Audit Services by External Auditors
- Finance update including the Internal Controls Report, Reserves Update, Impairment Analysis, review Egyptian fam-out update paper, Going Concern and Viability Statement, Treasury and update on internal audit review on treasury activities completed by KPMG
- Review and approval of the 2022 Financial Statements, including reviews that they were fair, balanced and understandable, reviews of the Going Concern and Viability Statements
- Review of 2022 external audit status, including analyses of findings of the external audit and key judgemental areas
- Review and update of the Audit and Risk Committee governance matters, with attention to internal controls processes and systems, and a detailed review of Risk management issues and mitigations

September

- Finance update including the Internal Controls Report, Reserves Update, Impairment Analysis, Going Concern and Viability Statement and Treasury review
- Review and approval of the 2023 Interim Accounts, including a presentation by the external auditor, Deloitte, and Audit and Risk Committee comments
- Update and review of the Delegation of Authority policy

December

- Finance update including an update on the Internal Controls Report and Treasury update
- Review of the Group Forecast 2023 and 2024 Budget and capital allocation
- Annual Review and Approval of the Terms of Reference of the Audit and Risk Committee
- Review of 2023 year-end planning
- KPMG Internal Audit - reviewed and discussed KPMG's review of the Group's Corporate Cash Flow Forecast and Valuation Model

During the year, the Committee focused on the following matters:

Financial reporting and significant accounting issues

During the first half of 2023, the Group's accounting policies, in accordance with best practice, were reviewed by management and the Committee to ensure that they remained appropriate for the Group's activities. Following this review, the Group's accounting policies were judged to be fully up-to-date and there were no significant changes recommended to the Board by the Committee.

Significant issues related to the 2023 Financial Statements

The Committee identified the significant issues (disclosed in more detail below) that should be taken into consideration in relation to the Financial Statements for the year ended 31 December 2023, being key issues which may be subject to heightened risk of material misstatement.

Fair, balanced and understandable

The Committee advised the Board whether the annual report and accounts taken as a whole are fair, balanced and understandable and provide the range of information necessary for shareholders to assess the Group's performance, business model and strategy. The Directors have confirmed this in their Responsibility Statement set out on page 147 of the Directors' Report.

Going Concern

Management completed their Going Concern assessment which was challenged and reviewed by the Committee. The assessment included a "Base Case" for the Group, including cash flow estimates for both Egypt and Vietnam, as well as a "Reasonable Worst Case" scenario, giving particular regard to the continuing impact of commodity price volatility. A further assessment was also undertaken on the impact of climate change on commodity prices and a sensitivity on carbon taxes.

Under these scenarios, management has assessed, on a conservative basis, the risks around commodity pricing, operational risk and political and regional risks, particularly in Egypt. The assessments also took into account the impact of potential discretionary reductions in capital expenditure, as well as the hedging of production volumes to mitigate against commodity price fluctuations.

Based on this detailed analysis, management has concluded that the Group will continue as a Going Concern for 12 months from the date of signing of the 2023 Financial Statements.

Following its review of management's Committee paper and in-depth walk through of assumptions, the Committee are satisfied that it is appropriate to prepare the 2023 Financial Statements on a Going Concern basis.

Oil and gas reserves

The Group's estimates of oil and gas reserves have a crucial impact on the Financial Statements, especially in relation to DD&A and impairment of PP&E assets. Oil and gas reserves, as discussed in the Risk Management Report on page 57 are calculated using best practice and industry evaluation techniques which have uncertainties in their application.

The Committee reviewed, in conjunction with management and Deloitte, the results of third-party assessments conducted by ERCE for TGT and internal evaluation for CNV, and subsequently audited by the Group's reserves auditor, RISC Advisory Pty Ltd ("RISC").

In addition, the Committee reviewed, in conjunction with management and Deloitte, the reserves assessment conducted by McDaniel for the El Fayum and NBS Concessions in Egypt.

The reserves are described in the review of operations on pages 33 to 35.

The various reserves estimates have been scrutinised by management, taking into account the status of each field's development, to be satisfied that reserves estimates are appropriate, that DD&A calculations are correct and that rigorous impairment testing has been carried out.

Management also reviewed its estimates of future costs (including decommissioning costs) associated with producing reserves. Reserve estimates are inherently uncertain and are revised over the producing lives of oil and gas fields as new reserves estimates become available and economic conditions evolve.

Deloitte also engaged their in-house Reserves Evaluation and Advisory team in Canada to understand and challenge management processes in determining the year end reserves estimates. This included performing procedures over the future production forecasts to the approved budgets and to the reserves auditors' CPRs, comparing historical prior year forecasts and impairment models to understand variances and reviewing of the technical reserves revisions in the year.

Internal controls and risk management systems

The Group's internal control framework and risk management processes are designed to ensure that risk identification, assessment and mitigation is properly embedded throughout the organisation. The risk management approach is designed to provide the Committee and the Board with reasonable assurance that financial irregularities and control weaknesses will be identified to mitigate risks that could potentially have a material adverse impact on the Group's operations, earnings, liquidity and financial prospects.

During 2023, the Group continued to carry out comprehensive reviews of the overall effectiveness of its internal controls framework and continued to work on improvements.

The Board is primarily responsible for the effectiveness of the Group's internal control systems which are monitored and improved on an ongoing basis.

The Committee has been delegated the responsibility to monitor and assess the effectiveness of the control systems operated by management. The external auditor, Deloitte, also provides feedback and recommendations on controls which are brought to the attention of the Committee.

Internal controls and risk management issues are discussed in detail and reviewed for effectiveness at each Committee meeting, with a report being provided to the Board for approval.

KPMG was appointed to carry out various internal audits. The programme of work for 2022 included a review of Group Treasury. For 2023 the Corporate Cash Flow Forecast and Valuation Model and Egyptian Joint Venture audit were completed. KPMG's reports on Group Treasury and the Corporate Model were submitted to the Committee.

Reserve Based Lending Facility (RBL)

As at 31 December 2023 an amount of $30.0m was drawn (2022: $65.0m) under the RBL. The facility matures in July 2025.

Under the RBL facility agreement, the Group is required to be compliant with certain debt covenants for each half year ending 30 June and 31 December, as set out on page 190.

The Committee has reviewed management's assessments of debt covenant calculations and is satisfied that the Group is fully compliant.

Commodity hedging – treasury management

The Group actively managed its exposure to commodity price risk by entering into an ongoing programme of hedging. The objectives of the hedging programme are mainly to comply with the requirements under the RBL and to protect the Group's Reasonable Worst Case Scenario.

A Treasury Committee, comprising the Chief Financial Officer as Chair and senior members of the Group's finance team, convene on a regular basis to review the Group's strategy and the open hedge positions to ensure that these are still fit for purpose in light of current market conditions. For the year end 31 December 2023 a loss of $0.2m was realised (2022: loss of $22.5m). The Group's RBL requires the Company to hedge at least 35% of Vietnam RBL production volumes and the current hedging programme meets this requirement through to June 2025.

In 2024, the Group seeks to extend this coverage further to protect budgetary cash flow and ensure compliance with the RBL.

AUDIT AND RISK COMMITTEE REPORT - continued

KEY JUDGEMENTS AND ESTIMATES IN FINANCIAL REPORTING

<table>
<tr><th>Key judgements and estimates in financial reporting</th><th>Audit and Risk Committee review</th><th>Outcomes</th></tr>
<tr><td rowspan="3">Asset carrying values and impairment testing – including judgements on future oil pricing, discount rates, production profiles, reserves and cost estimates</td><td>Reviewed the Group’s oil price assumptions</td><td>The Group’s short and long commodity price assumptions were reviewed and reduced accordingly</td></tr>
<tr><td>Reviewed the Group’s discount rates for impairment testing</td><td>The Group’s discount rates were reviewed and updated accordingly (increased for Egypt and reduced for Vietnam)</td></tr>
<tr><td>Upstream impairment charges and reversals were reviewed twice during the year</td><td>Impairment of assets</td></tr>
<tr><td rowspan="2">Significant risks that could potentially impact on Financial Statements – including DD&A estimates, override management controls</td><td>Reviewed DD&A estimates, based on reserves reports, units of production and future development costs</td><td>Management’s assessments of DD&A judged to be reasonable based on prudent assumptions</td></tr>
<tr><td>Reviewed risks of override of management controls</td><td>Under ISA 240 management override of controls is presumed significant risk. No breaches were found</td></tr>
<tr><td rowspan="3">Oil reserves accounting – including management’s assumptions for future oil prices which have a direct impact on the estimate of the recoverability of asset values reported in the Financial Statements</td><td>Reviewed the Group’s guidelines and policy for compliance with oil reserves disclosure regulations; including governance and control</td><td></td></tr>
<tr><td>Reviewed exploration costs</td><td>Vietnam:
Costs held in Vietnam pending future work programme.

Egypt:
• Fayum Batran-1x well, as no further substantive exploration or evaluation is planned or budgeted, the asset value has been fully impaired
• NBS exploration costs were reclassified as PP&E after first exploration commitment well (NBS-SW1X) was declared a commercial discovery and put on production in December 2023. We received approval from EGPC in December 2023 for the grant of a 20-year development lease for NBS-SW1X.</td></tr>
<tr><td>Reviewed at each Committee meeting the status of all updated estimates</td><td>Updated third party estimates and independent audit completed, with results disclosed in the 2023 Financial Statements</td></tr>
</table>

Exploration and evaluation assets and impairment review

The Committee reviewed the Group’s intangible exploration and evaluation assets individually in Egypt and Vietnam for any indications of impairment, including the various indicators specified in paragraphs 18 to 20 as set out in IFRS 6 – “Exploration for and Evaluation of Mineral Resources”. Please refer to Note 4 (c) to the Financial Statements for more information on climate change and energy transition.

At both the half year and year end 2023, the Committee considered whether various indicators of impairment existed, and also whether there were issues arising from the results of impairment reviews by management. Such reviews are carried out in relation to both exploration and evaluation assets, with the role of the Committee being focused on challenging management’s underlying assumptions and estimates and to judge whether they are realistic and justified.

Following the impairment testing, the Committee recommended to the Board that following 3D seismic acquisition on Block 125 in Vietnam and the forward programme of work that no impairment had been triggered.

In Egypt, as no further substantive exploration or evaluation is planned or budgeted for the Fayum Batran-1x well, the asset value has been fully impaired. On NBS, the exploration costs (after writing back the exploration costs impaired in 2020) were reclassified as PP&E after first exploration commitment well (NBS-SW1X) was declared a commercial discovery and put on production in December 2023.

Producing assets, property, plant and equipment (PP&E) and impairment review

The Committee reviewed individually the Group’s oil and gas producing assets classified as PP&E on the balance sheet for impairment with reference to IAS 36 – “Impairment of Assets”. During 2023, the Group’s PP&E oil and gas assets comprised its two Vietnam producing licences, TGT and CNV, as well as the El Fayum and NBS Concessions in Egypt. These are described in the operations review on pages 29 to 35.

This review focused on an updated assessment of the recoverable amount of each asset compared to their carrying value in the accounts. If the recoverable amount dropped below the carrying value, there would be an impairment charge to reduce the carrying value. The Committee considered the various assumptions underpinning the assessment of the recoverable amount, including underlying reserves, commodity prices, production rates and discount rates. Based on the Group's approved economic assumptions, the Committee recommended to the Board that impairments were made on all four fields.

On our CNV field in Vietnam, a pre-tax impairment reversal of $0.3m has been reflected in the Income Statement with an associated deferred tax charge of $0.3m. As at 31 December 2023, the carrying amount of the CNV oil and gas producing property is $65.0m.

On our TGT field in Vietnam, a pre-tax impairment charge of $46.3m has been reflected in the Income Statement with an associated deferred tax credit of $16.5m. As at 31 December 2023, the carrying amount of the TGT oil and gas producing property is $158.6m.

For our El Fayum concession in Egypt, an impairment charge of $11.0m, no tax applicable, is reflected in the Income Statement. As at 31 December 2023, the carrying amount of the El Fayum oil producing property is $54.7m.

For our NBS concession in Egypt, an impairment charge of $1.9m, no tax applicable, is reflected in the Income Statement. As at 31 December 2023, the carrying amount of the NBS oil producing property is $1.0m.

Disposal of 55% interest in Egypt Concessions

On 21 March 2022 the farm-out transaction of Egyptian assets was completed. The firm consideration was received in two tranches, $2.0m in September 2021 and $3.0m on 30 March 2022.

The carry of $35.9m is disproportionate funding contribution from IPR adjusted for working capital and interim period adjustments from the effective economic date of 1 July 2020 and completion date. The carry decreases every month against the cash calls received from IPR. The total amount utilised as at 31 December 2023 amounts to $31.0m (2022: $15.4m), which has been disclosed in "Consideration received on farm out of Egyptian assets" in the cash flow as part of investing activities. No cash outflow is required until the whole carry amount is utilised.

The Group is entitled to contingent consideration depending on the average Brent Price each year from 2022 to the end of 2025 (with floor and cap at $62/bbl and c.$90/bbl respectively). The contingent consideration is calculated yearly and is capped at a maximum total payment of $20.0m. As at 31 December 2023, the contingent consideration amounts to $8.5m, $3.6m current and $4.9m non-current (2022: $13.9m - $5.0m current and $8.9m non-current). Testing of sensitivity for a $5/bbl reduction in long term oil price used would result in $0.6m decrease in contingent consideration to $7.9m.

The final consideration is still being finalised between IPR and Pharos. The financial exposure from finalising the consideration to Pharos, reflecting the remaining amounts still under discussion, is considered immaterial to the Financial Statements.

Egypt Foreign Currency Risk

In Egypt, the recent global macroeconomic volatility has seen both a significant devaluation of the Egyptian Pound and continued restrictions on outgoing US Dollar transfers by the Central Bank of Egypt. The Company has opted not to accept the payment of trade receivables balance in Egyptian Pounds unless required for operations. The progressive devaluation of EGP against USD means that it is preferable to continue to hold USD denominated receivables.

As a result, Pharos' receivables have increased to $37.4m at 31 December 2023 and stated prior to a risk factor provision of $4.0m (2022: $24.2m receivables and stated prior to a risk factor provision of $1.8m).

From mid-February to early March 2024, the Egyptian Government (i) has announced a landmark agreement with ADQ (an Abu Dhabi sovereign wealth fund), whereby this latter will invest $35 billion for the development of the new coastal city of Ras El Hekma (the first $10 billion of which were immediately paid to Egypt); (ii) signed funding with different institutional lenders including (a) a significantly expanded new loan with the International Monetary Fund (IMF) ($8 billion, including the original $3 billion secured in December 2022); (b) $8 billion package of loans, grants and investments from the European Union and (c) $6 billion from the World Bank, over the next three years; and (iii) let the Egyptian pound (EGP), with an immediate devaluation from c.31 to c.49 EGP per USD (later strengthened to c.46.5), which forthwith eradicated the parallel foreign exchange (FX) market.

Pharos considers it preferable to continue holding USD-denominated receivables and accept part-payments of its receivables balance in EGP only when local currency will be needed for the funding of operations at the end of the IPR carry period. During 2023, the total amount collected from EGPC is $5.7m.

Internal controls focus for 2023

The Board approved the appointment of KPMG to carry out various internal audits. The work commenced in 2022. The Committee discussed and approved an internal audit plan which is complementary but separate to the audit work undertaken by the Group's external auditor, Deloitte. The programme of work for 2022 included the review of Group Treasury and for 2023 the Corporate Cash Flow Forecast and Valuation Model and Egyptian Joint Venture audit.

The Treasury Committee continue to meet regularly to review compliance of the RBL covenants and also to review the Group's liquidity, hedging requirements and investment strategy.

The Committee reviewed and approved the related compliance statements set out in the Risk Management Report.

The Committee has also reviewed and approved the statements regarding compliance with the 2018 Code, in the Corporate Governance Report on page 106. The Committee reviewed and discussed with management and the external auditor the Company's relevant financial information prior to recommendation for Board approval. This included the Financial Statements and other material information presented in the annual and half year reports. The Committee considered the significant financial reporting issues, accounting policies and judgements impacting the Financial Statements, and the clarity of disclosures. The Committee conducted a review of its Terms of Reference for best practice, which were approved by the Board in 2023. These will be reviewed again during 2024.

The Audit and Risk Committee and the Board have conducted a review of the effectiveness of the Group's risk management and internal control systems.

AUDIT AND RISK COMMITTEE REPORT - continued

Overall, the control environment was considered to be operating effectively. We recognise the oil and gas industry faces many challenges ahead, including the technical, financial, environmental, and political challenges of accessing an increasingly scarce resource base and at the same time coping with the opposing dual challenges of production growth but managing transition to a low carbon future. On 6 December 2023, the Company published the Net Zero roadmap to achieve net zero greenhouse gas (GHG) emissions by 2050.

Our Strategic Framework takes into consideration the range of potential risks and the nature of their impact on the business. The strategic ambitions of the Group, achieving our financial and ESG objectives, maintaining operational effectiveness, ensuring our reputation to markets, partners, and stakeholders are all assessed in the context of our appetite for risk.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Company. There is an effective internal control function within the Company which gives reasonable assurance against any material misstatement or loss. The Board and management will continue to review the effectiveness and the adequacy of the Company's internal control systems and update such as may be necessary.

Risk assessment

The Committee conducted a detailed risk assessment in which it reviewed existing risks and identified new risks as appropriate. The likelihood and significance of each risk was evaluated along with proposed mitigating factors and was reported to the Board. All new risks or changes to existing risks were monitored throughout the year and discussed at each Committee meeting. The Committee maintains a comprehensive bribery risk assessment and mitigation procedure to ensure that the Group has procedures in place to mitigate bribery, and that all employees, agents, contractors, and other associated persons are made fully aware of the Group's robust policies and procedures on a regular basis.

The escalation of conflict in the Middle East since the attacks in southern Israel on 7 October 2023 has materially increased regional political and economic instability. The Group considers is very unlikely that the US or UK will introduce sanctions against Israel or Israeli state actors for recent actions in Gaza, but continues to monitor the situation and diplomatic efforts aimed at a longer-term ceasefire. The Group is also monitoring carefully the wider geopolitical impact and perception of the conflict in Egypt, in connection with its assets and operations.

External auditor

Deloitte LLP has been our external auditors for 20 years. The financial year commencing 1 January 2023 was the final year for which Deloitte LLP can act as external auditor to the Company.

The Committee conducted a competitive tender process for a new external auditor during 2022.

Following this process, and consistent with the FRC Audit Tender Guidance, the Committee submitted the proposals to the Board, with one of those proposals, from Ernst & Young LLP, being the Committee's recommendation. In early 2023, the Board agreed to adopt the Committee's recommendation.

The Company then announced in its Preliminary Results Statement on 22 March 2023 that it had agreed in principle to appoint Ernst & Young LLP to succeed Deloitte LLP as external auditor with effect from the financial year commencing 1 January 2024. During 2023, Ernst & Young LLP "shadowed" Deloitte's work as external auditor, with a view to preserving know-how and experience and encouraging a seamless transition.

In each year, the Committee assesses the performance of the external auditor based on their experience, the quality of their written and oral communication and input from management, prior to making any recommendations as to the re-appointment of the external auditor at the AGM. The Committee also assesses the independence of the external auditor once a year and the lead partner is required to be rotated every five years. The current Deloitte LLP lead partner is Anthony Matthews, who is compliant with the rotation requirements and continued to be compliant during Deloitte's final year as external auditor. Other senior audit staff are rotated every five to seven years.

External auditor – non-audit services

The external auditor is appointed primarily to carry out the statutory audit and their continued independence and objectivity is crucial. In view of their knowledge of the business, there may be occasions when the external auditor is best placed to undertake other services on behalf of the Group. The Committee has a policy which sets out those non-audit services which the external auditor may provide and those which are prohibited. Within that policy, any non-audit service must be approved by the Committee.

Before approving a non-audit service, consideration is given to whether the nature of the service, materiality of the fees, or the level of reliance to be placed on it by the Group would create, or appear to create, a threat to independence.

If it is determined that such a threat might arise, approval will not be granted unless the Committee is satisfied that appropriate safeguards are applied to ensure independence and that objectivity is not impaired. The auditor is prohibited from providing any services which might result in certain circumstances that have been deemed to present such a threat, including auditing their own work, taking management decisions for the Group or creating either a mutuality or conflict of interest. The Company has taken steps to develop resources and relationships in order to establish availability of alternate advisers for financial and other matters.

External audit fees

Total audit and non-audit fees in 2023 were \$0.6m and \$0.2m respectively. The Committee approved all non-audit services provided by the external auditor in 2023. The principal non-audit fees during 2023 were \$0.2m for the interim review.

The Committee reviews its non-audit services policy on an annual basis and current policy requires all non-audit services to be pre-approved by the Committee. It is noted that the Group's policy sets out the permitted services and those that are prohibited.

Review of the effectiveness of the Audit and Risk Committee

During the year, the Committee has undergone a comprehensive review of its effectiveness and results were reported to the Board. The Committee was considered by the Board to be operating effectively and in compliance with the 2018 Code and associated guidance.

LISA MITCHELL
Audit and Risk Committee Chair

Dear Shareholders,

On behalf of the Board, we are pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2023. This report has been prepared in accordance with section 421 of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

GEOFFREY GREEN
Remuneration Committee Chair

Meeting attendance

Committee member	2023 attendance
Geoffrey Green (Chair) ^	■ ■ ■
Marianne Daryabegui ^	■ ■ ■
Lisa Mitchell ^	■ ■ ■

^ Independent Directors

■ Attended as member

■ Not attended

Note: Sue Rivett attended all of the meetings as a non-committee member. John Martin attended two of the meetings and Jann Brown attended one of the meetings as non-committee members.

Role of the Committee

The Remuneration Committee is responsible for setting the remuneration of the Chair and the Executive Directors, has oversight of pay more generally, and is responsible for appointing any consultants it may engage in carrying out its duties.

Highlights of Committee actions in 2023

The year has seen significant progress with our strategy. Activities undertaken by the Committee include:

- Board changes – Following the annual review of Board composition, the Committee sought to recruit an independent NED with technical experience. Dr Bill Higgs, a qualified geologist, was recruited to the role and this was announced in the January 2024 trading statement
- The Directors' Remuneration Policy received approval at the 2023 AGM with strong support
- Setting robust and stretching performance targets for the annual bonus and LTIP
- Monitoring developments in market practice and reporting regulations

How performance was reflected in the pay of our Executive Directors

As reported throughout the Strategic Report, 2023 was a year of good operational and financial performance across the Group.

We have continued to build on a culture of capital discipline to deliver material improvement to the Group's balance sheet, reducing net debt despite ongoing payment lags in Egypt. We delivered strong drilling performance in both Vietnam, with the CNV well coming in strongly, and in Egypt, with discoveries on both the El Fayum and NBS exploration wells. This has allowed the Board to continue our commitment to sustainable shareholder returns. In 2023, we returned $8.4m to shareholders via both share buyback and dividends. These achievements are a testament to the hard work, dedication and commitment of the entire Pharos team.

As part of our commitment to help employees deal with the rising cost of living, the Company made early interim payments of c.25% of the bonus potential in September 2023, with the balance paid in December as usual. Employees also received support with their travel expenses, a policy that was introduced from January 2023.

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

Strategic

Underpinned by a strengthened balance sheet and steady production base across the portfolio, Pharos continue to execute our strategy of sustainable value creation through a number of key priorities: regular shareholder returns, capital discipline, and focus on organic growth opportunities. Dividend is a key part of the Company's equity story since its inception, and in 2023, we returned $5.6m to shareholders via a final dividend for the 2022 financial year of 1p per share. The original $3m share buyback programme was supplemented by a further $3m programme in 2023 which continues as part of the Company's broader strategy to deliver value to our shareholders. A further commitment has been made to continue this during 2024 up to an additional $3m.

Pharos is in a materially improved financial position, has stable production from its asset base with significant growth potential in Vietnam. Together, these put us in a strong position. We were pleased to be able to reward shareholder patience with the recommencement of regular dividends, based on operating cash flow, with the first payment paid in July 2023.

Operational

On an operational basis, the Company performed well across a broad range of metrics. Production levels in both Vietnam and Egypt were in line with guidance.

Financial performance was strong, with cost control, cash generation and funding ahead of expectations. Whilst safety results were excellent in Vietnam, continuing with our zero LTIs since operations began, there were two safety and environmental incidents in Egypt which have meant the bonus outcomes for these elements were zero.

Following a robust assessment of the performance criteria the Committee determined the formulaic out-turn for bonuses at 64.54% of the maximum potential. The Committee considered the wider stakeholder experience and agreed that the formulaic outcome was appropriate. Bonus outcomes for the wider workforce also reflect corporate KPIs achieved as well as their personal performance. As noted last year, the 2020 LTIP awards, whose performance criteria is based on TSR, lapsed in May 2023 due to failure to meet the required relevant performance target. There are no awards due to vest in relation to performance which has been mainly completed at 31 December 2023, with the next LTIP awards due to vest in October 2024 reflecting a delay in granting the awards originally due to being in a close period.

Approach for 2024

The Directors' Remuneration Policy was approved at the 2023 AGM with 84.59% of votes cast in favour. The Committee believes that the Policy remains fit for purpose and continues to support the business strategy. The current Policy is well understood by participants and investors. It is also considered to be aligned to market practice and already includes standard corporate governance best practice features such as pension alignment and the use of post-cessation shareholding requirements.

Base salaries for the Executive Directors and Non-Executive Directors were increased by 6% following a salary freeze in 2023, which followed voluntary pay reductions during 2021 and into the first quarter of 2022. Across the UK employee population, the average increase for 2024 is 6% which follows an increase of 10% in 2023. The Committee determined that the salary increase for the Executive Directors, which is lower than that for the wider workforce over the last two years, is appropriate to maintain competitiveness and is reflective of performance in the role.

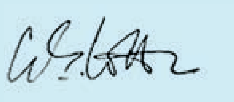
The current annual bonus and LTIP maximum awards will remain unchanged. The annual bonus will continue to be subject to a scorecard of measures including safety, operations, financial and capital structure, sustainability and governance reflecting the key priorities of the business and disclosed on a retrospective basis.

The LTIP measures and targets will be based on relative TSR (35% weighting), absolute TSR (20% weighting), cash flow from operations (15% weighting), ROCE (15% weighting) and an ESG condition (15% weighting).

Conclusion

The Remuneration Committee believes that the remuneration outcomes for 2023 are a fair reflection of the context in which decisions had to be made. We believe that the continuation of the current Policy, approved at the AGM in 2023, in all material respects maintains the link between strategy and incentives, as well as being closely aligned to the market.

We look forward to receiving your support at the upcoming AGM.



GEOFFREY GREEN
Remuneration Committee Chair

Annual Report on Remuneration (Audited section)

Single total figure of remuneration

The table below sets out the total remuneration in respect of qualifying services for both Executive and Non-Executive Directors for the financial year 2023.

2023	Fees/Salary £000's	Benefits £000's	Bonus Cash[1] £000's	Bonus Deferred[1] £000's	Pension £000's	Total £000's	Fixed £000's	Variable £000's
Executive Directors								
J Brown	420	35	271	136	63	925	483	442
S Rivett	280	88	181	90	42	681	322	359
Non-Executive Directors								
J Martin	150	-	-	-	-	150	150	-
M Daryabegui	60	-	-	-	-	60	60	-
L Mitchell	75	-	-	-	-	75	75	-
G Green	88	-	-	-	-	88	88	-
Total	**1,073**	**123**	**452**	**226**	**105**	**1,979**	**1,178**	**801**

The benefits receivable by Executive Directors include private medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel, relocation and car benefits. The benefits column for Non-Executive Directors includes taxable travel and accommodation expenses to attend Board functions in the year and other benefits, and the tax payable thereon, in accordance with HMRC guidance. Fees and/or salaries paid to the Directors are in relation to their dates of service as a Director during the year.

1) The total Directors' bonuses include the following: a) Cash bonus paid in December 2023 of £452k; b) Deferred bonus of £226k granted under the Deferred Share Bonus Scheme.

Comparative figures for 2022 is provided in the table below:

2022	Fees/salary £000's	Benefits £000's	Bonus Cash[3] £000's	Bonus Deferred[3] £000's	Pension £000's	Total £000's	Fixed £000's	Variable £000's
Executive Directors								
E Story[1,2]	59	11	73	37	9	189	68	121
J Brown[2]	389	39	294	147	58	927	447	480
M Watts[2]	68	12	75	37	10	202	78	124
S Rivett	277	16	182	91	41	607	318	289
Non-Executive Directors								
R Gray	40	-	-	-	-	40	40	-
J Martin	143	-	-	-	-	143	143	-
M Daryabegui	57	-	-	-	-	57	57	-
L Mitchell	71	-	-	-	-	71	71	-
G Green	79	2	-	-	-	81	79	2
Total	**1,183**	**80**	**624**	**312**	**118**	**2,317**	**1,301**	**1,016**

The benefits receivable by Executive Directors include private medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel and car benefits. E Story also received expatriate benefits including tax protection or equalisation for any travel to the UK. The benefits column for Non-Executive Directors includes taxable travel and accommodation expenses to attend Board functions in the year and other benefits, and the tax payable thereon, in accordance with HMRC guidance.

1) Executive Director fees and salary of Ed Story is set in US dollars and is reported in GB pounds at the average exchange rate for the period 1 January 2022 to 22 March 2022, reflecting the period he served on the Board.

2) Ed Story and Dr Mike Watts stepped down from the Board on 23 March 2022 following completion of the Egyptian farm-out transaction. At the same time, Jann Brown was appointed to the role of Chief Executive Officer. Prior to that date, Ed Story, Dr Mike Watts and Jann Brown had been waiving 35% of their salaries for the first quarter of 2021 and then further reduced this by another 15% (to a total reduction of 50% of their salary), and the reported numbers include such waivers.

3) The total Directors' bonuses include the following: a) Cash bonus paid in December 2022 of £624k; b) Deferred bonus of £312k granted under the Deferred Share Bonus Scheme.

* Fees and/or salaries paid to the Directors are in relation to their dates of service as a Director during the year.

The aggregate emoluments of all Directors during the year was £2.0m (2022: £2.3m).

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

Notes to the single figure table

Annual bonus

Setting measures

The Company seeks to set challenging, yet achievable, performance measures designed to link pay to performance against its core strategic objectives.

The performance measures were chosen to ensure that Executive Directors are focused on the near-term objectives that build the long-term delivery of value to shareholders, which results in a combination of measures being used covering strategic, operational, financial, business development and sustainability goals. While we monitor the Group's performance with a broader mix of financial and non-financial KPIs, the measures impacting the annual bonus emphasise those deemed most relevant to management performance and take into account the annual budget and the prevailing economic environment.

2023 annual bonus measures and out-turns

Metric	Weight	Bonus awarded
Safety and Environment	**15.00%**	**12.00%**
Zero LTIs	6.00%	6.00%
TRIR Target of 0.8	3.00%	3.00%
Zero environmental spills	3.00%	0.00%
Crisis Management Training	3.00%	3.00%

Zero LTIs

Link to strategy	Target	Performance	Outcome
• Safety of our people • Sound oil field practices	• Zero LTIs	• There were no LTIs	• Achieved

TRIR Target of 0.8

Link to strategy	Target	Performance	Outcome
• Safety of our people • Sound oil field practices	• 0.8	• 2 TRIR recorded	• Achieved

Zero environmental spills

Link to strategy	Target	Performance	Outcome
• Sound oil field practices • Management of our carbon footprint wherever we work	• Zero environmental spills	• 2 environmental spills recorded in Egypt	• Not achieved.

Crisis Management Training

Link to strategy	Target	Performance	Outcome
• Safety of our people • Sound oil field practices	• Carry out a full training exercise	• Training was carried out during H2	• Achieved

Metric	Weight	Bonus awarded
Operational/Business Plan	**38.00%**	**18.04%**

Business Plan — 12.50% — 0.00%

Link to strategy	Target	Performance	Outcome
• Deliver value through growth	• Seek farm-in partner for 125 commitment well	• A number of interested parties have been reviewing the physical data	• Not Achieved

Production and operational uptime — 13.00% — 10.95%

Link to strategy	Target	Performance	Outcome
• Prudent Management	• Vietnam production volumes 5,000 – 6,000 boepd • Egypt production volumes 1,368 – 2,250 bopd	• Vietnam production outturn was 5,127 boepd • Egypt production outturn year was 1,381 bopd	• Achieved for Vietnam, within guidance • Achieved for Egypt, within guidance
• Safe performance	• Uptime greater than 97% for Vietnam and 96% for Egypt	• 98% in Vietnam and 96% in Egypt	• Achieved

Secure licence extensions — 7.50% — 3.75%

Link to strategy	Target	Performance	Outcome
• Continued development of Vietnam assets	• Secure extension on TGT, CNV and Blocks 125 & 126 in Vietnam	• Extension secured on 125 & 126 allowing additional time to plan for the exploration well and seek a farm in partner • Submitted extensions on TGT and CNV but still waiting approvals	• Achieved • Not achieved
• Continued development of Egypt assets	• Secure licence extension on NBS in Egypt	• Small extension received on NBS allowing the second commitment well to be drilled later in the year	• Achieved

Egypt development plan — 5.00% — 3.34%

Link to strategy	Target	Performance	Outcome
• Effective portfolio management	• Complete the study on the Deep in El Fayum • Optimise the development plan in both El Fayum and NBS	• Study complete • NBS approved development concession • El Fayum optimised budget plan was slowed due to the poor receipts from EGPC	• Achieved • Achieved • Not achieved

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

Metric	Weight	Bonus awarded
Financial and capital structure	30.00%	17.50%

Opex per bbl for each producing asset — Weight 12.50% — Bonus awarded 12.50%

Link to strategy	Target	Performance	Outcome
• Control expenditure	• Underlying operating costs < 2022 • Underlying G&A costs < 2022	• Vietnam cash opex bbl $15.39 (2022: $16.03) • Egypt cash opex bbl $16.86 (2022: $17.40) • Full year administrative expenses lower by 9%, reflecting effective cost control.	• Achieved • Achieved

Reduce debtor days in Egypt — Weight 12.50% — Bonus awarded 0.00%

Link to strategy	Target	Performance	Outcome
• Control expenditure • Maintain strong balance sheet	• Reduce Egypt debtor days to <90	• Debtor days increased to 534 at year end (2022: 194 days) due to collection delays in USD. Pharos requested not to receive EGP due to the devaluation of currency and ongoing restrictions on outgoing USD transfers by Central Bank of Egypt. Therefore receivables balance held in USD. Additionally, we have been carried by our partner throughout the full year and therefore not required any local currency for funding operations.	• Not achieved

Net debt — Weight 5.00% — Bonus awarded 5.00%

Link to strategy	Target	Performance	Outcome
• Access affordable sources of funding • Return to shareholders	• Net debt/EDITDAX of <2, Cash > $10m • All Bank Covenants met	• Net debt/EDITDAX of 0.06 • All bank covenants have been met	• Achieved • Achieved

Metric	Weight	Bonus awarded
Sustainability & Governance	**17.00%**	**17.00%**

Review of Board structure		2.50%	2.50%
Link to strategy	**Target**	**Performance**	**Outcome**
• Develop talent throughout our business	• Training and development	• Group programme in place for technical and soft skills	• Achieved

Compliance review		2.50%	2.50%
Link to strategy	**Target**	**Performance**	**Outcome**
• Strong governance	• Complete independent review of key policy compliance across the Group	• Two audits on Corporate Modelling and Egypt	• Achieved

Publication of roadmap, Project on emissions target reduction and TCFD compliance		9.00%	9.00%
Link to strategy	**Target**	**Performance**	**Outcome**
• Sustainability	• Issue roadmap to net zero	• Roadmap published in December 2023	• Achieved
	• Identify one project to utilise the Emissions Fund	• Vietnam project for monitoring units to reduce emissions from gas flaring included in 2024 budget	• Achieved
	• Full compliance with TCFD	• Scope 1, 2 and 3 emissions identified and disclosed in accordance with TCFD recommendations	• Achieved

Social Investment		3.00%	3.00%
Link to strategy	**Target**	**Performance**	**Outcome**
• Strong governance and personal codes of conduct	• Social investment plan approved and implemented	• Group wide committee formed and operational with country champions	• Achieved

OVERALL	100%	TOTAL ASSESSMENT	64.54%

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

As noted in the Chair's Statement, notwithstanding that the Executive Directors delivered a number of the KPIs in challenging circumstances, the Committee felt that the overall performance and the experience of stakeholders in 2023 was sufficiently recognised in the formulaic outcome and therefore no use of discretion was considered necessary.

Executive Directors receive a third of any bonus as awards under the Deferred Share Bonus Plan. This ensures their interests remain closely aligned with shareholders. For 2023, the total Directors' bonuses include the following: a) Cash bonus paid in December 2023 of £452k and b) Deferred bonus of £226k to be granted under the Deferred Share Bonus Scheme.

	Paid Bonus £000s	Deferred Bonus £000s	Total Bonus £000s	% of max
J Brown	271	136	407	64.54%
S Rivett	181	90	271	64.54%

LTIP vesting in respect of performance ended 31 December 2023

There were no awards due to vest for performance that had mainly ended by 31 December 2023. The next LTIP award is due to vest in October 2024.

LTIP award grants made in 2023

The LTIP awards are usually made in March. For Jann Brown and Sue Rivett this represented 200% of contractual salary at the time the award was made. It is anticipated that future grants, including the grants to be made in 2024, will be made following the announcement of the preliminary results in March. These will be made on a similar basis to prior years, with awards to Executive Directors over shares worth two times salary and subject to the same TSR measure (subject to confirmation of the precise list of comparators immediately prior to grant).

	Date of grant	No. of shares	Face value of award	Award as % of salary
J Brown	23 March 2023	3,733,333	£840,000	200%
S Rivett	23 March 2023	2,488,888	£560,000	200%

Face value based on share price at the time of awards were determined on 22 March 2023 (being £0.225)

The performance measures for the 2023 and 2022 awards are set out below, with 25% vesting for Threshold rising on a straight-line basis to full vesting at Maximum:

Metric	Weight	Targets
TSR – Relative vs bespoke peer group	40%	Median to Upper Quartile ranking
TSR – Absolute	15%	20% to 30% absolute growth
ESG medium term measures	15%	10% to 15% reduction in emissions.
Cash flow from operations	15%	$150m to $200m over the 3 year period
Return on Capital Employed	15%	6% to 10% average for the 3 year period

Deferred Share Bonus Plan awards granted in 2023

The DSBP awards were granted in January 2023 in relation to the 2022 annual bonus outcome.

	Date of grant	No. of shares	Face value of award
J Brown	13 January 2023	611,838	£146,841
S Rivett	13 January 2023	379,734	£91,136

Face value based on share price at the time of awards were determined on 12 January 2023 (being £0.245)

Directors' interests as at 31 December 2023

The Board has a policy requiring Executive Directors to build a minimum shareholding of 200% of their annual salary. Additionally, LTIP awards require a two–year holding period following vesting. This is intended to emphasise a commitment to the alignment of Executive Directors with shareholders and a focus on long term stewardship.

The table below sets out the Directors' interests as at 31 December 2023 and any subsequent changes to their beneficially owned shares are shown as at the date of this report:

	Shareholding requirement		Beneficially owned shares as at 31 December 2023	Beneficially owned shares as at the date of this report	Awards subject to performance conditions as at 31 December 2023[1,2]	Awards subject to Option Price 120 pence as at 31 December 2023	Awards subject to service conditions as at 31 December 2023[1]
	(% of salary)	Achieved (Yes/No)					
Executive							
J Brown[3]	200%	No	2,183,275	2,224,680	8,726,262	–	1,230,419
S Rivett[3]	200%	No	273,848	283,309	5,687,044	90,000	540,941
Non-Executive							
J Martin	–	–	237,000	237,000	–	–	–
M Daryabegui	–	–	36,757	36,757	–	–	–
G Green	–	–	95,000	95,000	–	–	–
L Mitchell[2]	–	–	51,958	51,958	–	–	–

1) Figures include accrued dividend equivalents.
2) These shares are held by Alexander Barblett (husband of Lisa Mitchell), and a closely associated person to Lisa Mitchell.
3) At the date of this report, J Brown and S Rivett are yet to reach the 200% shareholding requirement.
4) Our share price at the close of business on 31st December 2023 was 21.3p and the range of the middle market price during the year was 20.9p to 26p.

While the Executive Directors, as potential beneficiaries, are technically deemed to have an interest in all ordinary shares held by the Company's EBT, the table above only includes those ordinary shares held by the EBT which are potentially transferable to the Directors pursuant to Options granted to them under the Company's incentive schemes. Details of the EBT and its holdings are set out in Note 28 to the Financial Statements.

There have been no changes to the Directors' interests subsequent to 31 December 2023 other than as set out above and as described in the notes to the table above.

Share awards outstanding at 31 December 2023

	Type of award[7]	As at 1 Jan 2023	Granted/ awarded	Adjusted[1]	Lapsed[4]	Vested[3]	As at 31 Dec 2023	Date potentially vested[4,5]	Expiry date
J Brown[4,5,6,7]	LTIP	1,550,855	–	–	1,550,855	–	–	–	–
	LTIP	1,550,855	–	73,153	–	–	1,624,008	06.10.24	06.10.31
	LTIP	3,049,001	–	143,820	–	–	3,192,821	25.03.25	25.03.32
	LTIP	–	3,733,333	176,100	–	–	3,909,433	23.03.26	23.03.33
	DSBP	563,157	–	26,564	–	–	589,721	25.03.24	25.03.32
	DSBP	–	611,838	28,860	–	–	640,698	13.01.23	13.01.33
S Rivett[3,5,6,8]	LTIP	267,779	–	–	–	267,779	–	–	–
	LTIP	909,317	–	42,892	–	–	952,209	06.10.24	06.10.31
	LTIP	2,032,667	–	95,880	–	–	2,128,547	25.03.25	25.03.32
	LTIP	–	2,488,888	117,400	–	–	2,606,288	23.03.26	23.03.33
	DSOP	25,000	–	–	–	–	25,000	31.05.19	31.05.26
	DSOP	65,000	–	–	–	–	65,000	31.05.19	31.05.26
	DSBP	136,842	–	6,454	–	–	143,296	25.03.24	25.03.32
	DSBP	–	379,734	17,911	–	–	397,645	13.01.23	13.01.33

1) Outstanding awards under the Company's share schemes were adjusted for dividend equivalents in accordance with plan rules (see Note 31 to the Financial Statements).
2) LTIP awards granted in 2021 vest subject to Pharos's relative TSR performance against a group of comparator companies and subject to a further holding requirement. The performance measures for the 2022 and 2023 LTIP are set out on page 133. DSBP awards vest subject to continued service over a two-year vesting period.
3) S Rivett's 2020 LTIP award was made prior to her appointment to the Board was not subject to TSR performance, but instead based on continuous employment and effective performance ratings for the vesting period. These measures were deemed to have been achieved and the award vested in full.
4) J Brown's 2020 LTIP award with a potential vest date of 12 May 2023 did not achieve the performance threshold and lapsed.
5) DSBP Awards to J Brown and S Rivett were structured as nil-cost options.
6) LTIP Awards to J Brown and S Rivett were structured as nil-cost options.
7) LTIP awards vest at 25% when the threshold is met.
8) DSOP awards have an exercise price of 120 pence and do not have any performance conditions.

Payments for loss of office and payments to former Directors

There have been no payments for loss of office during the year nor any payments to former Directors.

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

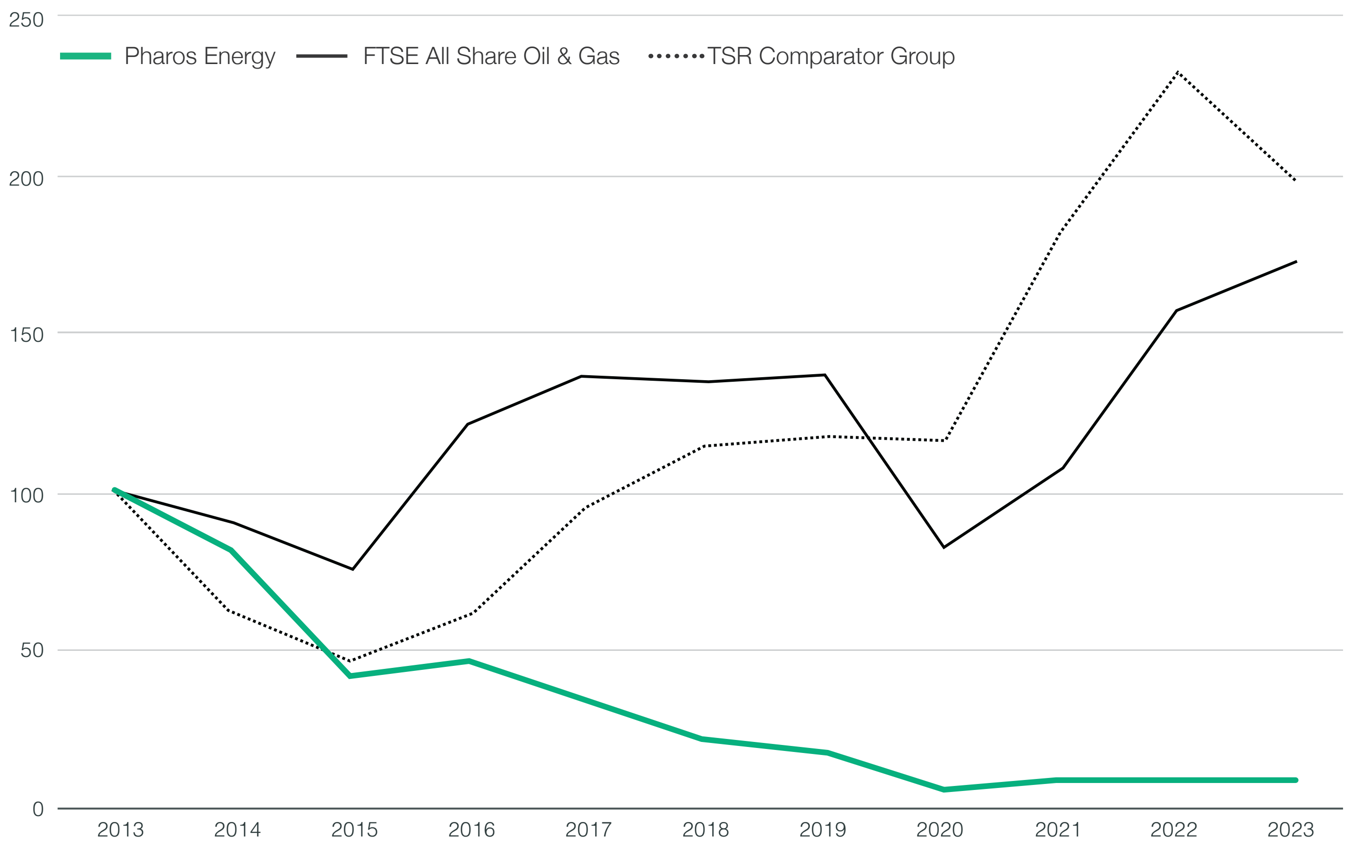
Unaudited Section

Historical TSR performance and CEO outcomes

TSR performance

The chart below illustrates Pharos' ten-year TSR performance against the FTSE All Share Oil & Gas Index, being a broad market index which is sector specific. In addition, we have shown a comparison against the TSR comparator group used for the LTIP award.

TOTAL SHAREHOLDER RETURN (TSR)



CEO outcomes

The table below shows the total remuneration paid to the CEO over the same ten-year period. In addition, the annual bonus and LTIP awards vesting are set out in respect of each year as a percentage of the maximum:

	2014	2015	2016	2017	2018	2019	2020	2021	2022[1]	2023
CEO single figure of remuneration (£000s)	2,959	2,325	1,632	1,716	1,829	1,567	669	894	909	**925**
Annual bonus pay-out (% of maximum)	80%	75%	35%	65%	105%	50%	0%	58%	66%	**65%**
LTIP vesting (% of maximum)	100%	96%	46%	0%	0%	0%	0%	0%	0%	**0%**

1) 2022 includes the total remuneration of Ed Story for 1 January 2022 to 22 March 2022, reflecting the period he served on the Board as CEO. Jann Brown's total remuneration is then presented for the period 23 March 2022 to 31 December 2022.

Percentage change in remuneration of the Directors

The table below illustrates the percentage change in salary, benefits and annual bonus for each Director and all other employees.

	% change in **salary** (2023/ 2022)	% change in **salary** (2022/ 2021)[3]	% change in **salary** (2021/ 2020)[3]	% change in **salary** (2020/ 2019)	% change in **benefits** (2023/ 2022)	% change in **benefits** (2022/ 2021)	% change in **benefits** (2021/ 2020)	% change in **benefits** (2020/ 2019)	% change in annual **bonus** (2023/ 2022)	% change in annual **bonus** (2022/ 2021)	% change in annual **bonus** (2021/ 2020)[1]	% change inannual **bonus** (2020/ 2019)[1]
E Story[2]	N/A	N/A	-32.1%	-39.9%	N/A	N/A	-67.8%	4.4%	N/A	N/A	100.0%	-100.0%
M Watts[2]	N/A	N/A	-32.1%	-5.9%	N/A	N/A	26.4%	4.5%	N/A	N/A	100.0%	-100.0%
J Brown	8.0%	35.1%	-32.1%	-5.9%	-10.3%	-0.8%	5.5%	3.3%	-7.7%	-5.4%	100.0%	-100.0%
S Rivett[4]	1.1%	N/A	N/A	N/A	450%	N/A	N/A	N/A	-0.7%	N/A	N/A	N/A
J Martin	4.9%	26.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Daryabegui	5.3%	26.7%	-10.0%	5.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R Gray	N/A	N/A	-11.2%	-16.7%	N/A	N/A	-100.0%	-31.1%	N/A	N/A	N/A	N/A
L Mitchell	6.3%	26.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
G Green	11.2%	40.6%	N/A	N/A	-100.0%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A
All other employees	9.9%	29.5%	7.0%	-4.4%	8.1%	15.5%	-25.8%	10.0%	-9.3%	24.1%	100.0%	-100.0%

1) Bonuses are normally awarded in respect of the calendar year. No bonuses were awarded in relation to 2020.
2) E Story and M Watts resigned from the Board on 23 March 2022.
3) The figures detailed above reflect the salary reductions that have been taken by the Directors. The Executive Directors took a reduction of 35% of their salaries for the first quarter of 2021 and then further reduced this by another 15% (to a total reduction of 50%) from 1 April 2021 for the Executive Directors in office at that date. These reductions stayed in place for the remainder of 2021 and through to 20 March 2022. The Chair, who had reduced his fee by 25% on assuming the role in March 2020, also took an additional 25% reduction along with the other Non-Executive Directors from 1 May 2021 which continued through the full year 2021 and up until 20 March 2022.
4) S Rivett was appointed to the Board on 1 July 2021.

Chief Executive Officer's pay ratio

The Company currently has 17 UK employees and therefore has no statutory requirement to publish a CEO pay ratio. Given the relatively few employees, the Committee is aware of pay levels and does not feel the need to produce a ratio. The Committee will continue to review the appropriateness of publishing pay ratios in the future.

Relative importance of spend on pay

The chart below illustrates the year on year change in total remuneration as per Note 11 to the Financial Statements compared to the change in shareholder returns, which would include capital returns, dividends and share buybacks.

External appointments

With prior approval of the Board, Executive Directors are allowed to accept non-executive appointments on other boards and to retain the associated directors' fees. Under this Policy:

- Jann Brown serves on the board of RHI Magnesita, for which she retained associated fees for 2023 in the amount of £94,700 (2022: £83,456 RHI Magnesita and £1,538 Troy Income and Growth Trust)

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

Implementation for 2024

Base salary

The following table shows the Executive Director base contractual salary levels.

	2024 Base salary 000s	2023 Base salary 000s*	Increase from 2023 %
J Brown	**£455**	£420	6%
S Rivett	**£297**	£280	6%

The salary increases for the Executive Directors for 2024 are aligned with the average inflationary impact salary increase of 6% across the workforce. Jann voluntarily invests a third of her after tax salary into buying shares in the Company, subject to share dealing restrictions. Furthermore, Sue Rivett voluntarily invests an after tax salary equivalent to £20,000 gross pay into buying shares, subject to the same share dealing restrictions.

Benefits

For 2024, benefits available to Executive Directors will be consistent with those set out in the Directors' Remuneration Policy approved at the 2023 AGM.

Pension

For 2024, a pension benefit at 15% of salary will be provided to each Executive Director through contributions to the Company's money purchase plan up to plan limits or a cash supplement. Our Pension Policy for Executive Directors is already consistent with that for all employees (as a percentage of salary).

Annual bonus

It is intended that annual bonus awards will be considered for Executive Directors in December 2024. The maximum total bonus opportunity for an Executive Director in each year is 150% of salary, including cash and deferred components in accordance with the approved Policy. The table below sets out the weighted performance measures which will be applied in determining annual bonus awards for 2024, and identifies the link from each of these measures to our core strategy of:

2024 KPI's

Metric	Weight	Performance criteria which will be considered
ESG	20%	
Strategic objectives; to preserve the safety of all our people, staff and contractors and preserve the environment through sound oil field practices and management of our own carbon footprint wherever we work.		• Zero LTIs • TRIR target • Zero environment spills • GHG emissions reduction * • DE&I learnings into the Pharos Way guiding principles
Operational & Business Plan	50%	
Strategic objectives: to replace produced reserves and add to the reserve base in a way which is value and/or cash flow accretive		• Production volumes for all producing assets • Secure licence extensions • Portfolio optimisation • Secure funding partner for well to be drilled on Block 125
Financial	30%	
Strategic objectives: to control expenditure and access affordable sources of funding in order to maintain a strong balance sheet with sufficient liquid resource to fund planned activities.		• Operating Cash Flow • Underlying Operating Costs • Reduce debtor days in Egypt • Renew NBE working capital facility

*Note: The 2024 KPI for GHG emissions reduction is linked to the GHG emissions reduction interim targets in our Net Zero Roadmap, which was published on December 2023. The Group set a 5% reduction target on all Scope 1 & 2 emissions by 2026. More information can be found at on our website at https://www.pharos.energy/media/b55c4sqz/pharos-energy-net-zero-roadmap-2023_official.pdf.

Details of how the Committee assessed performance against these weighted measures will be set out in next year's report. The Committee retains discretion over the amount of bonus paid out to ensure that appropriate consideration is given to the relative importance of the achievements in the year and the actual contribution of these towards furthering the Group's strategy, as well as the prevailing economic environment.

LTIP

When determining the grant level for 2024, the Committee will take into account the share price at the date of grant and all other relevant circumstances into account. As a reminder the award levels in 2020 and 2021 were substantially reduced.

The performance conditions for the 2024 awards are expected to be a mixed weighting as follows: of TSR (35%) relative and (20%) absolute and 15% weighting to each of cash flow from operations, return on capital employed, and emission reduction targets.

Metric	Weight	Targets
TSR – Relative	35%	Median to Upper Quartile ranking
TSR – Absolute Achieve 20% growth over the 3 year period, sliding scale to 30% for the full 15%	20%	20% to 30%
ESG medium term measures (base 2022) Achieve 10% reduction over a 3 year period, sliding scale to 15% for the full 15%.	15%	10% to 15% reduction in emissions.
Cash flow from operations Achieve $150m cash flow from operations over the 3 year period, sliding scale to $200m for the full 15%	15%	$150m to $200m
Return on Capital Employed Achieve over 6% average per year for the 3 year period, sliding scale to 10% for the full 15%	15%	6% to 10%

Shareholder dilution

Pharos monitors the number of shares issued under employee share plans and their impact on dilution limits. These will not exceed the limits set by The Investment Association Principles of Remuneration currently in force, in respect of all share plans (10% in any rolling ten-year period).

Malus and clawback provisions

All variable pay arrangements for Executive Directors are subject to provisions which enable the Committee to reduce vesting, or recover value delivered if certain circumstances occur. These circumstances include serious misconduct, an error in calculation, misstatement of the Company's financial results, fraud, insolvency of the Company or serious reputational damage to the Company. In each case the occurrence of those circumstances and the effect on variable pay arrangements will be determined by the Committee.

Non-Executive Director remuneration

Non-Executive Director fees, which have been set within the aggregate limits set out in the Company's articles of association and approved by shareholders, are set out in the table below:

	Fee from 1 January 2024	Fee from 1 January 2023
Chair of the Company	**£159,000**	£150,000
Non-Executive Director	**£63,600**	£60,000
Additional fee: Senior Independent Director[1]	**£13,250**	£12,500
Additional fee: Chair of Audit and Risk Committee	**£15,900**	£15,000
Additional fee: Chair of Remuneration Committee	**£15,900**	£15,000
Additional fee: Workforce Engagement Nominated Director	**£5,300**	£5,000

1) Geoffrey Green was appointed to the role of Senior Independent Director on 19 May 2022 and the additional fees for this are shown in the table.

The Chair fees were reviewed and approved by the Remuneration Committee. The Non-Executive Director fees were reviewed and approved by the Board, excluding the Non-Executive Directors.

For 2024, benefits available to Non-Executive Directors will be consistent with those set out in the Policy approved at the 2023 AGM. Non-Executive Directors are not eligible for participation in the Company's incentive or pension schemes.

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

Service Contract (reference Table A: Directors Contract on page 144)

Consideration by Committee of matters relating to Executive Directors' remuneration

The Directors who were members of the Remuneration Committee when matters relating to Directors' remuneration for the year were being considered were Marianne Daryabegui, Lisa Mitchell and Geoffrey Green as Remuneration Committee Chair.

The Committee received assistance from Jann Brown and Sue Rivett, except when matters relating to their own remuneration were being discussed. The Committee additionally received assistance from other Non-Executives Directors when required.

The Committee has appointed FIT Remuneration Consultants LLP ("FIT") as its remuneration advisers, and fees of £8,992 were paid in 2023 for their advisory services. FIT is a member of the Remuneration Consultants Group and complies with their professional code of conduct. FIT do not provide any other services to the Group which, along with FIT's credentials and proven performance, contributes to the Committee's view that the advice received has been appropriate, objective and independent.

The Committee reviews all aspects of remuneration on an annual basis and with respect to individual and corporate performance during the year. The review is aided by comparison to published data on executive pay in the sector and in similar sized companies. More detailed benchmarking may be conducted, such as upon an indication of a change in market ranges, with results being monitored for indications of potential unwarranted upward ratcheting. The Committee receives regular updates on evolving regulatory and market practice including market trends, key developments, and a broad range of published principles and guidelines. The Committee takes into account pay conditions elsewhere in the Company, and considered matters related to Group remuneration.

Shareholder voting

The most recent binding resolution on the Directors' Remuneration Policy was passed at 2023 AGM. The advisory vote on the Directors' Remuneration Report was approved at last years' AGM. The table below shows votes from shareholders on the relevant resolutions:

	Directors' Remuneration Report (2023 AGM)		Directors' Remuneration Policy (2023 AGM)	
	Votes	%	Votes	%
Votes in favour	200,237,478	84.58%	200,307,051	84.59%
Votes against	36,498,967	15.42%	36,478,777	15.41%
Total votes	236,736,445	100.00%	236,785,828	100.00%
Votes withheld	58,613	–	9,230	–

Service contracts

Executive Directors' contracts are for an indefinite period and are terminable by either party on giving one year's notice, which may be satisfied with a payment in lieu of notice. The contracts do not contain specific termination provisions.

The Committee has a duty to prevent the requirement to make payments that are not strictly merited and endorses the principle of mitigation of damages on early termination of a service contract. Any payment on early termination will be assessed on the basis of the particular circumstances, but in any event will not be in respect of any period beyond the notice period specified by the contract.

The Non-Executive Directors' appointments are terminable at the will of the parties but are envisaged to establish an initial term of three years after which they will be reviewed annually.

The Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are available at the Company's registered office.

Policy Report (Unaudited)

This Directors' Remuneration Policy became effective from the date of the 2023 AGM. This section provides a summary of the Policy approved. The full Policy can be viewed in the 2022 Annual Report on our website at: www.pharos.energy/investors/results-reports-and-presentations/.

Operation	Maximum	Performance criteria
Contractual fixed cash amount paid monthly. Particular care is given in fixing the appropriate salary level considering that incentive pay is generally set at a fraction or multiple of base salary. The Committee takes into account a number of factors when setting salaries, including (but not limited to): • Size and scope of individual's responsibilities • Skills and experience of the individual • Performance of the Company and the individual • Appropriate market data • Pay and conditions elsewhere in Pharos Base salaries are normally reviewed annually. Results of benchmarking exercises are monitored for indications of potential unwarranted upward ratcheting.	Any salary adjustments will normally be in line with those of the wider workforce. The Committee retains discretion to award higher increases in certain circumstances such as increased scope and responsibility of the role, or in the case of new Executive Directors who are positioned on a lower salary initially, as they gain experience over time. In these circumstances a base salary increase will not exceed the previous CEO's unadjusted salary of $924,000.	N/A

BENEFITS

Purpose and link to strategy

- To provide Executive Directors with market competitive benefits consistent with the role.

Operation	Maximum	Performance criteria
Executive Directors receive benefits which may include (but are not limited to) medical care and insurance, permanent health insurance, life assurance cover, critical illness cover, travel benefits, expatriate benefits, car benefits and relocation expenses. Reasonable business related expenses will be reimbursed (including any tax payable thereon).	Benefits are positioned at an appropriate market level for the nature and location of the role. Whilst the actual value of benefits may vary from year to year based on third party costs, it is intended that the maximum annual value will not exceed $250,000 or £200,000, per Directors' base currency. In addition to the above cap, the Company may contribute to relocation expenses up to 100% of salary.	N/A

PENSION

Purpose and link to strategy

- To provide retirement benefits consistent with the role

Operation	Maximum	Performance criteria
Pension benefits are delivered through contributions to Pharos' money purchase plan up to relevant plan limits and/or a cash supplement.	15% of base salary per annum which remains aligned with the wider workforce.	N/A

DIRECTORS' REMUNERATION COMMITTEE REPORT - continued

VARIABLE PAY

Annual bonus

- Purpose and link to strategy
- Incentives and rewards for the delivery of the strategic plan on an annual basis.

Operation	Maximum	Performance criteria
Payments are based on performance in the relevant financial year. At the beginning of the year, the Committee sets objectives which it considers are critical to the delivery of the business strategy. Performance against these key strategic objectives is assessed by the Committee at the end of the year. The Committee retains the discretion to amend the bonus pay-out (negatively or positively) to ensure it reflects the performance of either the individual or the Company. One-third of any bonus pay-out is subject to deferral into Pharos shares under the Deferred Share Bonus Plan.	150% of base salary per annum, including cash and deferred components at the discretion of the Committee.	The annual bonus is based on individual and corporate performance during the year. Corporate goals are set annually and may include monitored measures for particular projects; portfolio objectives; corporate strategic goals; safety, social and environmental measures; financial measures; and other measures as may be deemed appropriate and relevant to the period for delivery of the business strategy. If the Committee determines that a minimum level of performance has not been achieved, no bonus will be payable. Thereafter the bonus will begin paying out, up to the maximum of 150% of salary. The Committee determines the appropriate weighting of the metrics each year.

LTIP

Purpose and link to strategy

- Incentives and rewards for the Company's strategic plan of building shareholder value

Operation	Maximum	Performance criteria
Typically a conditional award of shares or a nil price option is made annually, normally in March/April, following the year end close period. Vesting of the awards is dependent on the achievement of performance targets, which are typically measured over a three-year performance period. Awards (post of tax) will also be subject to a two-year post-vesting holding period during which they cannot be sold (except in exceptional circumstances and with the Committee's prior approval).	Usually 200% of base salary per annum.	Awards vest based on performance against financial, operational and/or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of Pharos. No less than 50% of the award will be based on share price measures. The remainder will be based on financial, operational, or strategic measures. For 'threshold' levels of performance, 25% of the award vests. 100% of the award will vest for maximum performance. Pro-rating applies between these points and between ranking positions. The Committee may reduce LTIP vesting outcomes (including to zero), based on the result of testing the performance condition, if it considers the potential outcome to be inconsistent with the performance of the Company, business or individual during the performance period. Any use of such discretion would be detailed in the Annual Report on Remuneration.

SHAREHOLDING GUIDELINES

Purpose and link to strategy

- Further increases alignment between Executive Directors and shareholders.

Operation	Maximum	Performance criteria
The Board has a policy of requiring Executive Directors to build a minimum shareholding in Pharos shares equivalent to 200% of salary. A post cessation shareholding guideline will operate from the approval of this Policy. Executive Directors will be expected to retain the lower of actual shares held and shares equal to 200% of salary for a two year post-cessation (unless the Committee exceptionally determines that it is appropriate to release this requirement). Pharos shares which vest from future deferred bonus and LTIP awards will be retained until a sufficient holding has been built up.	N/A	N/A

GEOFFREY GREEN
Remuneration Committee Chair
March 2024

DIRECTORS' REPORT

Directors' Report

Annual Report of the Directors

The Directors present their Annual Report along with the audited Financial Statements of the Group for the year ended 31 December 2023.

The following sections of this report are incorporated herein by reference and form part of this Directors' Report.

Developments during the 2023 reporting period

An indication of the likely future developments in the business of the Group is included in the Strategic Report on pages 3 to 98.

The reporting period saw a continued focus on shareholder returns, together with progress on the exciting opportunities within our asset base.

In Vietnam, we delivered ongoing high netback and stable production during the year. On CNV, there was strong performance from the first new lateral well, which was delivered on time, under budget and put on production in 1Q 2023. On TGT, the Revised Field Development Plan (RFDP) was approved by MOIT on 9 January 2024, providing the platform for the two well TGT programme later in the year. The Group and the HLHVJOC also received initial positive feedback from PVN and MOIT on five-year extension proposals to the TGT (Block 16-1) and CNV (Block 9-2) petroleum contracts, including significant progress on draft documentation relating to the proposed extensions. In June 2023, the Group also secured a two year extension to the current phase of the exploration period under the Block 125&126 PSC. The current phase now runs to November 2025, and discussions continue with a number of interested parties to secure a farm-in partner before drilling the commitment exploration well.

In Egypt, the Group had exploration drilling success during the year on both the North Beni Suef and El Fayum Concessions. The NBS-SW1X exploration commitment well was declared a commercial discovery and put on production only nine months after drilling, following the grant of a 20-year development lease in September 2023. NBS-SW1X improved our reserve base and is contributing new barrels to the overall Group production. Considering the continued macroeconomic uncertainty in Egypt, the Board intends to maintain a measured approach to capital allocation and drilling in Egypt in 2024, with an eye on the receivable balance.

Pharos continued to have an excellent safety record during 2023, and the Company reported zero LTIs across all Group operations. In Vietnam, the Group has maintained a record of zero LTIs since 1997.

In June 2023 the Company held a Group-wide off-site event in London where colleagues from Egypt, Vietnam and UK all met to exchange ideas, give business updates and promote team building. This event was important not only for the effective functioning of the Company, but to also develop the Group's global workforce and to underpin the Board's commitment to maintaining high standards of governance and promoting corporate values throughout the organisation.

The Company ended the reporting period with a strong balance sheet. Cash balances as at 31 December 2023 were $32.6m; net debt $6.6m (2022: cash balances $45.3m; net debt $28.9m). The Directors believe that, with the combination of a robust financial position and a steady production base across the portfolio, Pharos is in an excellent position to continue its principal strategy of long-term sustainable value creation and shareholder returns.

Dividends

During 2023, the Company recommenced regular dividend payments, the first of which was a final dividend for the financial year to 31 December 2022 of 1 pence per share. This final dividend totalled $5.6m, was approved by shareholders at the 2023 AGM and paid on 12 July 2023.

In its announcement of the interim financial results for the first half of 2023 on 13 September 2023, the Company indicated an additional distribution to shareholders would be considered within the parameters of the sustainable regular dividend policy announced in September 2022. Under the policy, Pharos intends to return to shareholders by way of dividend no less than 10% of operating cash flow each year in two tranches:

- An interim dividend of around 33% of the previous year's final dividend, payable in January of the following year; and
- Subject to shareholder approval, a final dividend payable in July of the following year.

Consistent with the policy, on 6 December 2023 the Board announced that it had resolved to declare and pay an interim dividend in relation to the financial year ending 31 December 2023 of 0.33 pence per ordinary share, amounting to $1.7m. This interim dividend was paid on 24 January 2024. The total cost of the interim dividend takes into account that the trustee of the Pharos Employee Benefit Trust (EBT) waived its right to receive the dividend in relation to the ordinary shares held in the EBT.

At the forthcoming AGM, the Directors recommend that shareholders vote in favour of the resolution to declare a final dividend for the year ended 31 December 2023 of 0.77 pence per ordinary share payable, subject to the approval of shareholders, on 19 July 2024, to those shareholders on the Company's register on 14 June 2024. This will take the total dividend for 2023, including the interim dividend paid in January 2024, to 1.10 pence per ordinary share. As with the interim dividend, it is assumed that the trustee of the Pharos EBT will waive any right to receive the final dividend in relation to the ordinary shares held in the EBT.

Directors

The business of the Company is managed by the Directors who may exercise all powers of the Company subject to the articles of association of the Company ("Articles") and applicable law. The Directors who held office during the year, and up to the date of signing this Annual Report, and the dates of their current service contracts or letters of appointment, which are available for inspection, are listed in Table A of this report. All Directors held office throughout the year except as noted in the table. The NEDs' appointments are terminable by either party on notice at any time. Executive Directors' contracts are terminable by either party on giving one year's notice.

In accordance with the provisions of the UK Corporate Governance Code, all Directors in office immediately before the 2024 AGM will retire at the meeting and, being eligible, offer themselves for reappointment. Relevant details of the Directors, which include their Committee memberships, are set out in the section headed 'Board of Directors' on pages 104 and 105.

Pharos provides liability insurance for its Directors and Officers. The annual cost of the cover is not material to the Group. The Articles allow it to provide an indemnity for the benefit of its Directors, which is a qualifying indemnity provision for the purpose of section 233 of the Companies Act 2006 ("2006 Act"). The Company has made such provisions for the benefit of its Directors in relation to certain losses and liabilities that they may incur in the course of acting as Directors of the Company, its subsidiaries or associates, which remain in force at the date of this report.

No member of the Board had a material interest in any contract of significance with the Company or any of its subsidiaries at any time during the year, except for their interests in shares and in share awards and under their service agreements and letters of appointment disclosed in the Directors' Remuneration Report commencing on page 126.

Table A: Directors holding office during 2023 and up to the date of signing of this report

Director	Date of appointment
John Martin - Chair*x	13 March 2020
Jann Brown - Chief Executive Officer	12 November 2017
Sue Rivett - Chief Financial Officer	1 July 2021
Marianne Daryabegui *	15 March 2019
Geoffrey Green*	20 May 2020
Lisa Mitchell*	1 April 2020
Dr Bill Higgs*+	16 January 2024

* Denotes those determined by the Board to be Independent Non-Executive Directors as described in the UK Corporate Governance Code Report on pages 106 to 113. The Chair was determined to be independent on appointment. Geoffrey Green is the designated Senior Independent Director.

x Date used in table date of appointment as Chair. Originally appointed as an Independent Non-Executive Director on 7 June 2018.

+ Appointed after the end of the 2023 financial year but included in the table for information.

Contributions

The Group's policies prohibit political donations.

AGM

An explanation of the resolutions to be proposed at the 2024 AGM, and the recommendation of Directors in relation to these, is included in the circular to shareholders which is available on the Company's website (www.pharos.energy). Resolutions regarding the authority to issue shares are commented upon in this report under share capital.

A separate communication will be sent to shareholders and published on the Company's website regarding the AGM.

Share capital

Details of changes to share capital in the period are set out in Note 27 to the Financial Statements. The Company currently has one class of shares in issue, ordinary shares of £0.05 each, all of which are fully paid. Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Articles and law. Shares held in treasury carry no such rights for so long as they are held in treasury. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. Voting rights relating to the ordinary shares held by the EBT are not exercised. The Articles may only be amended by a special resolution of the shareholders.

No shareholder, unless the Board decides otherwise, is entitled to attend or to vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or she or any person with an interest in ordinary shares has been sent a notice under section 793 of the 2006 Act (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or she or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice.

The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in shares of that class from taking place on an open or proper basis. The Directors may likewise refuse any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading and market abuse laws); and pursuant to the Listing Rules whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

DIRECTORS' REPORT - continued

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights. Resolutions will be proposed at the 2024 AGM, as is customary, to authorise the Directors to exercise all powers to allot shares and approve a limited disapplication of pre-emption rights. This authority will be sought in line with the Statement of Principles published by the Pre-Emption Group in November 2022 (the "Pre-Emption Principles"), as it was at the previous AGM held in 2023. The authority sought for disapplication of pre-emption rights will be in two parts: (a) 10% of the issued ordinary share capital, which may be issued on an unrestricted basis; and (b) an additional 10%, which may be used in connection with an acquisition, or a specified capital investment, in either case announced with the issue or which has taken place in the preceding 12 months and is disclosed in the announcement. In addition, both legs of the disapplication resolution will seek up to a further 2% authority (4% in total) to disapply pre-emption rights in making 'follow-on' offers to retail investors and existing shareholders who are not allocated shares as part of the placing. Further information regarding these resolutions, which are based on the template resolutions published by the Pre-Emption Group, is set out in the circular to shareholders containing the notice of the AGM.

A resolution will also be proposed at the 2024 AGM, as is customary, to renew the Directors' existing authority to make market purchases of the Company's Ordinary Share capital, and to limit such authority to purchases of up to approximately 10% of the Company's issued Ordinary Share capital. Shares purchased under this authority may either be cancelled or held as treasury shares. The Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. As announced on 6 December 2023, the Company has committed a further up to US$3 million (net of expenses) to its current on-market share repurchase programme and, subject to the passing of this resolution, it intends to continue this programme. As at the date of this report, the total amount spent by the Company (net of expenses) on the acquisition of ordinary shares since the original announcement of the initiation of its share buyback programme in July 2022 is $6.2m. In that time the Company has repurchased approximately 22 million ordinary shares under the programme.

Auditor

Following a tender process in 2022 undertaken in accordance with the Financial Reporting Council's paper entitled "Audit Tenders: Notes on Best Practice" published in February 2017, the Company announced in its Preliminary Results Statement on 22 March 2023 that it had agreed in principle to appoint Ernst & Young LLP to succeed Deloitte LLP as external Auditor with effect from the financial year commencing 1 January 2024. Deloitte LLP did not participate in the audit tender process, and has notified the Company (as required under the 2006 Act), that they will not be seeking reappointment as the Company's Auditor at the 2024 AGM. During the second half of 2023 and the early part of 2024, Ernst & Young LLP have "shadowed" Deloitte's work as external auditor for financial year commencing 1 January 2023, with a view to preserving know-how and experience and encouraging a seamless transition. A resolution to appoint Ernst & Young LLP as the Company's Auditor for the financial year commencing 1 January 2024 will be proposed at the 2024 AGM.

Deloitte have also provided non-audit services to the Group, and details of the non-audit services provided in the year to 31 December 2023 are set out in Note 10 to the Financial Statements. All non-audit services are approved by the Audit and Risk Committee. The Directors are currently satisfied, and will continue to ensure, that this range of services is delivered in compliance with the relevant ethical guidance of the accountancy profession and does not impair the judgement or independence of the auditor. Further details of the Group policy on non-audit services are set out in the Audit and Risk Committee Report on pages 120 to 125.

The Directors at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each Director has taken all steps that they ought to have taken as a Director, having made such enquiries of fellow Directors and the auditor and taken such other steps as are required under their duties as a Director, to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the 2006 Act.

Greenhouse gas emissions reporting

Reporting on emission sources, as required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 and the Energy and Carbon Report Regulations 2018, is included in the Corporate Responsibility Report on pages 75 to 82.

Tax governance

The Company is committed to high standards of tax governance and strives to meet its tax obligations. Tax contributions benefit the communities in which we operate by providing a framework within which the Company can grow. Pharos' Tax Strategy Statement, which the Board approves annually, defines the key tax objectives of the Group and is available on the Company's website (www.pharos.energy/responsibility/policy-statements/). The Group has also adopted and communicated across the organisation a corporate policy specifically dedicated to measures against and awareness of tax evasion and the related offence of facilitation of tax evasion. Staff members receive annual training on tax evasion and related offences as part of the Group's regular business ethics programme.

Risk management

The Directors carried out a robust review of the principal and emerging risks facing the Group that could threaten the Company's business model, future performance, solvency and liquidity. The Risk Management Report on pages 48 to 61 details how we manage and mitigate these risks.

Substantial shareholdings

As at the date of this report, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the voting rights as a shareholder of the Company shown in Table B of this report.

Table B: Substantial shareholdings in the Company

	No of Ordinary Shares held as % of voting rights[1]	as % of	Nature of holding
Bradley Radoff[2]	68,080,000	16.161	Direct
Aberforth Partners LLP	37,960,838	9.011	Direct
Ettore Contini	32,613,577	7.742	Direct and indirect
Blue Albacore Business Ltd	31,260,296	7.421	Direct
Globe Deals Ltd	27,444,382	6.515	Direct
Chemsa Ltd	24,426,925	5.799	Direct
Ed Story	16,271,613	3.863	Direct and indirect

1) As at 25 March 2024, the total voting rights attached to the issued share capital of the Company comprised 421,253,197 Ordinary shares each of £0.05 nominal value, being 430,375,465 Ordinary shares in issue less 9,122,268 Ordinary shares currently held in treasury.
2) As at 31 December 2023: Bradley Radoff held 59,767,980 Shares representing 14.13% of the voting rights in the Company at that time.

During the period between 31 December 2023 and the date of this report, the Company did not receive any notifications under Chapter 5 of the Disclosure and Transparency Rules indicating a different whole percentage holding than as at 31 December 2023 other than as shown in the footnotes to the table above. For further information on Directors' interests, please see page 134.

Requirements of the UK Listing Rules

Table C of this report provides references to where the information required by LR 9.8.4R of the Listing Rules is disclosed within this Annual Report. Where there is no specific reference in Table to a LR 9.8.4R information requirement, that requirement is not applicable to the Company for the reporting year.

Table C: Listing Rules requirements

LR 9.8.4R requirement	
Details of any long-term incentive schemes as required by Listing Rule 9.4.3 R.	Directors' Remuneration Committee Report pages 126 to 142
Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders.	No such share allotments
Details of any contract of significance subsisting during the period under review: (a) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (b) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	Note 35 page 187
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Note 29 page 183

DIRECTORS' REPORT - continued

Whistleblowing procedure

The Board has reviewed, and is satisfied with, the Group's Whistleblowing Policy and associated procedures, enabling employees to raise issues in confidence concerning improprieties which would be addressed with appropriate follow-up action. The Group has in place an Ethics Hotline using a dedicated, confidential and anonymous telephone service available to staff to report a suspected breach of the Group's Code of Business Conduct and Ethics.

Business Relationships

In order to foster relationships with suppliers and customers, Pharos ensures a robust engagement process before contracts are awarded. Every vendor is required to complete due diligence so that the Company may ensure all corporate and banking details are recorded and checked before invoices are issued; this allows for prompt and accurate payment. Where possible, payment terms are 30 days from date of receipt of a validly submitted invoice. A comprehensive contracts register is maintained to ensure that post award contract management is addressed to consider delivery of appropriate notices of renewal of termination.

We strive to work constructively with all our suppliers, customers and other business partners to build and maintain productive relationships.

Going concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. Nevertheless, at the time of preparation of these accounts and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, and taking into consideration the additional factors in the Strategic Report on pages 3 to 98 including the Going Concern section of the CFO's Statement on page 47, they continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities for the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. The Financial Statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The Directors are required to prepare Financial Statements for each financial year that give a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Group for that period. In preparing those accounts the Directors are required to select suitable accounting policies and then apply them consistently; present information and accounting policies in a manner that provides relevant, reliable and comparable information; and state that the Company and the Group have complied with applicable accounting standards, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with relevant legislation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

The Directors confirm that, to the best of each person's knowledge:

a) the Financial Statements set out on pages 158 to 189, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted by the UK and in accordance with International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the Group taken as a whole;

b) this Directors' Report along with the Strategic Report, including each of the management reports forming part of these reports, includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face and how these are being managed and mitigated as set out in the Risk Management Report on pages 48 to 61; and

c) the Annual Report and the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

Approved by the Board and signed on its behalf.

SUE RIVETT
Chief Financial Officer
27 March 2024

Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHAROS ENERGY PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Pharos Energy plc (the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group and company cash flow statements; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and company for the year are disclosed in note 10 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Impairment and impairment reversal of producing oil and gas assets.
Materiality	The materiality that we used for the group financial statements was $3.8m which was determined on the basis of 4% of 3-year average earnings from continuing activities before interest, tax, depreciation, depletion & amortisation "DD&A", impairment charge/ reversal of property, plant & equipment "PP&E "and intangibles, exploration expenditure including pre-license costs and other/restructuring expense "EBITDAX".
Scoping	We focused primarily on the group's key business units, being Vietnam and Egypt. These components were subject to full scope audits and account for 100% of the group's total assets, 100% of the group's revenues and 100% of the group's loss before tax. A full scope audit, which was performed by the group engagement team, was additionally carried out on the company financial information.
Significant changes in our approach	There are no significant changes to our approach.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and company's ability to continue to adopt the going concern basis of accounting included:

- assessed that the forecasts incorporated in the base case model are consistent with the budget approved by the Board;
- compared the key assumptions in the base case forecast to those used in the impairment models for oil and gas producing assets and understood the basis for any differences;
- assessed the historical accuracy of budgets prepared by management;
- assessed the reasonableness of the assumptions incorporated in the base case forecast that address the uncertain economic environment;
- compared the oil prices in the aggregated downside scenario with both the spot oil price and publicly available forward curves as of the date of approval of the financial statements;
- assessed and recalculated the impact of the aggregated downside scenario on the financial covenants included in the reserve based lending (RBL) facility during the going concern period;
- assessed the ability of management to execute the mitigating actions in its aggregated downside scenario, including the extent to which the adjustments made to capital expenditure are uncommitted as of the date of this report;
- assessed the results of the oil price reverse stress test (after considering hedging arrangements) by comparing to currently prevailing prices;
- tested the going concern model for mechanical accuracy; and
- assessed whether the disclosures relating to going concern are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' Statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHAROS ENERGY PLC - continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment and impairment reversal of producing oil and gas assets

Key audit matter description

The value of property, plant and equipment relating to the group's producing oil and gas assets as at 31 December 2023 was $279.3 million (2022: $381.3 million). Management assesses the group's producing oil and gas assets for impairment and/or impairment reversal indicators every reporting period. There are a number of significant judgements and estimates involved in these assessments, and in quantifying any impairment charge or reversal. We therefore consider this to be a key audit matter. In addition, we considered that there was a risk of impairment due to the potential impact of climate change on long term oil prices. Given the importance of producing oil and gas assets to the group and the judgemental nature of the inputs used in determining the recoverable amounts, we also considered there to be a potential for fraud in this area.

Management reviewed its two producing assets in Vietnam, being Te Giac Trang ('TGT') and Ca Ngu Vang ('CNV'), and its two producing assets in Egypt, being El Fayum and North Beni Suef ('NBS'), for indicators of impairment. There have been various developments in the period. These include a downwards technical revision of El Fayum reserves compared to prior year, NBS reserves were recognised for the first-time following commencement of production in December 2023, a downwards technical revision of TGT reserves and an upward revision of CNV production profile as set out in note 16 of the financial statements. Given the revisions, together with the changes to oil price assumptions and discount rates resulting from the current economic uncertainty, management concluded that there were indicators of impairment for TGT, El Fayum and NBS and an indicator of impairment reversal for CNV. Management have estimated the recoverable amount of each producing asset, being its value-in-use "VIU", and compared this to its balance sheet carrying amount. Management recorded pre-tax impairment reversal of $0.3 million on CNV (2022: $3.6 million), a pre-tax impairment charge of $46.3 million on TGT (2022 impairment reversal: $19.7 million), a pre-tax impairment charge of $11 million on El Fayum (2022 impairment reversal: $3.8 million) and a pre-tax impairment charge of $1.9m on NBS (2022: $nil).

Management's recoverable amount estimates were based on key assumptions which included:

- oil price forecasts;
- reserves estimates and production profiles; and
- nominal discount rates

In relation to reserves estimates and production profiles, management have engaged third party reservoir engineering experts to provide an independent report on the group's reserves estimates using standard industry reserve estimation methods and definitions for each of the CNV, TGT, NBS and El Fayum fields. Management have explained the scope of work of the third-party experts and their findings in the operations review on page 33, as well as highlighting oil and gas reserves as a key source of estimation uncertainty in note 4(b) to the financial statements.

As referenced in note 4(b) of the financial statements, the impairment of producing oil & gas assets is considered by management as a key source of estimation uncertainty. Further details of the key assumptions used by management in their impairment evaluation are provided in note 16 of the financial statements and in the Report of the Audit & Risk Committee on pages 120 to 125. The disclosures in note 16 include the sensitivity of the impairment and impairment reversals to changes in key assumptions, including the impact to reach net zero emissions by 2050 (the "Net Zero price scenario").

How the scope of our audit responded to the key audit matter

For the TGT, CNV, NBS and El Fayum impairment assessments, we obtained an understanding of management's relevant controls related to the valuation of each producing oil and gas asset. We evaluated management's assessment of whether or not impairment or impairment reversal indicators were present in respect of each producing oil and gas asset, and thus the completeness of management's impairment tests. Where indicators were identified, we assessed the methods and models used for consistency with the requirements of IAS 36 "Impairment of Assets". We evaluated the key assumptions made by management in the measurement of recoverable amounts by performing the following procedures:

Oil price forecasts:

Through working with our valuation specialists, we:

- Independently developed a reasonable range of forecasts based on a variety of reputable external forecasts, peer information and market data, against which we compared the group's future oil price assumptions; and
- We assessed management's current 'best estimate' of forecast oil prices including consideration of third-party forecasts under scenarios that we interpreted to be consistent with this measurement objective; and
- We have assessed the reasonableness of management's oil price assumptions described as being compliant with achieving the Paris agreement goal to limit temperature rises to well below 1.5°C ("Paris Goal")

Reserve estimates and production profiles:

Through working with our oil and gas reserve specialists, we:

- Gained an understanding of the process used by management to derive their reserves estimates and associated production profiles and how they provide information to, and interact with, their external third party reserve experts;
- Assessed the competence, capability and objectivity of the group's external third party reserve experts
- Reviewed the external third party experts' reports on group's reserves estimates and evaluated whether these estimates were used consistently in the financial statements;
- Communicated directly with the external third party reserves experts to discuss their scope of work and assess their methodologies used and outputs;
- Compared the production forecasts used in the impairment tests with management's approved reserves and resources estimates;
- Compared the production forecasts with similar forecasts from the prior year and assessed significant changes;
- Assessed the reasonableness of the production and cost forecasts relative to each other; and
- Where relevant, performed a retrospective review and assessed the group's historical forecasting accuracy and whether the estimates had been determined and applied on a consistent basis without bias.

Nominal discount rates:

We assessed the group's discount rates by working with our internal valuation specialists developing independent range estimates for TGT, CNV, El Fayum and NBS and comparing those estimates to management's assumptions.

Other procedures:

- We assessed management's other assumptions using our knowledge of the group and industry and by comparing management's budgeted and forecast performance.
- By working with our internal valuation specialists, we assessed whether the group's impairment methodology was acceptable under IFRS and tested the integrity and mechanical accuracy of the impairment models.
- We assessed the appropriateness of management's presentation and disclosures relating to impairment and impairment reversal and associated estimation uncertainty.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHAROS ENERGY PLC - continued

Key observations

Oil price forecasts

For the purpose of group's producing oil and gas assets impairment and/or impairment reversal tests, management is required under IAS 36 "Impairment of assets" to apply its current "best estimate" of future oil prices. We observed that the group's future oil price assumptions are within our reasonable range. Accordingly, we determined that the Group's "best estimate" future oil price assumptions are reasonable.

We also observe that the forecast oil price assumptions aligned with the Paris goals to be lower than the group's oil price assumptions. The disclosures in note 16 to the financial statements includes the impact of adopting an oil price described as being compliant with achieving the Paris Goal.

Reserves estimates and production profiles:

We found that the reserves estimates and production profiles used in the impairment tests to have been appropriately prepared, and found the underlying assumptions we tested to be reasonable.

Nominal discount rates:

The group's discount rates used for impairment testing, were both within our country-specific reasonable ranges.

Other procedures:

We concluded that the impairment and impairment reversals recorded by management are appropriate. We are also satisfied that appropriate disclosures relating to management's impairment assessment and sensitivities have been provided in note 16.

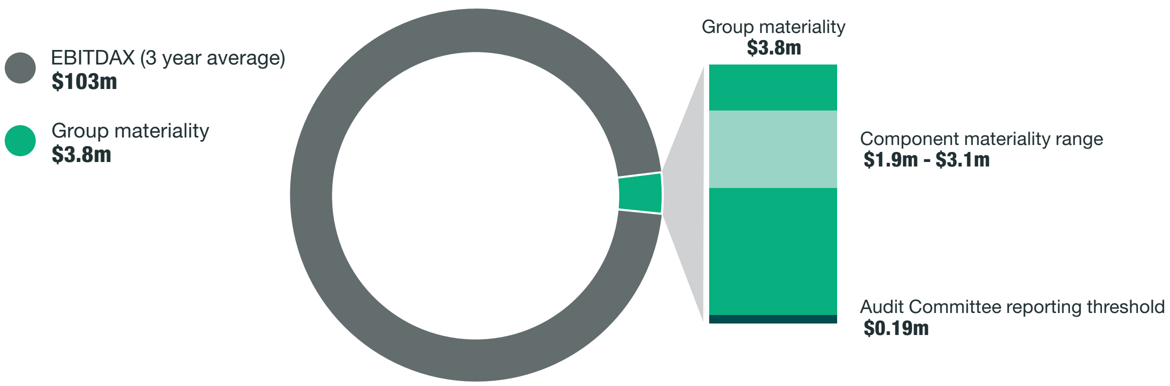
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	\$3.8m (2022: \$3.4m)	\$3.4m (2022: \$3m)
Basis for determining materiality	4% of the 3-year average of EBITDAX (2022: 4% of the 3-year average of EBITDAX)	Company materiality equates to 1.5% of net assets, which is capped at 90% of group materiality (2022: 1.5% of net assets capped at 90% of group materiality)
Rationale for the benchmark applied	We consider a 3-year average of EBITDAX as the most relevant benchmark given the volatility in oil prices, the majority of the group's oil & gas assets are now at the producing stage and the group is in its fourth full year of operations in Egypt. This reflects the group's performance, noting that EBITDAX is also an input to one of the covenants under the group's reserve based lending facility.	Consistent with prior year, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2022: 70%) of company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a) the controls environment within which the group operates, including that related to IT, is not considered to be complex; b) the responsibility for all key accounting judgements and critical sources of estimation uncertainty is centralised and conducted in the head office in London; c) the limited number of changes to the business during the year; and d) the history of a low number of corrected and uncorrected misstatements identified in previous periods	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of $0.19m (2022: $0.17m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we identified the key business units, Vietnam and Egypt, which are accounted for partly in the local country of operation and partly in London, as significant components for our audit.

The Vietnamese component, the Egyptian component, which are all subject to full scope audits, accounted for 100% (2021: 100%) of the group's total assets, 100% (2021: 100%) of the group's revenue and 100% (2021: 100%) of the group's profit before tax. The Vietnamese component materiality was $3.1 million (2022: $2.1 million) and the Egyptian component materiality was $1.9 million (2022: $1.2 million). We also audited the consolidation of the group's business units. In both the current and the prior year, the key audit matter that had the greatest effect on our audit strategy, as described above, was audited directly by the group audit team in London. At the group level, as well as the key audit matter in relation to impairment of producing and oil assets, we tested the consolidation process, going concern, decommissioning, borrowings and intercompany. A full scope audit, which was performed by the group engagement team, was additionally carried out on the company financial information, to the materiality set out in section 6. We also carried out analytical procedures to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

7.2. Our consideration of the control environment

Reflecting the non-complex controls environment, we did not plan to take a controls reliance approach over financial or IT controls in the current year and we therefore adopted a fully substantive audit approach. We gained an understanding of both the IT and financial control environment, as well as over the relevant controls over the key audit matter set out in section 5.1 above, revenue and journal processing to assist and inform the fully substantive audit approach adopted. The group's consideration of controls is set out in the section 'Internal controls and risk management systems' on page 122 in the Audit & Risk Committee report of the 2023 Annual Report.

7.3. Our consideration of climate-related risks

Climate change is considered a principal risk to the group and its business by management. Further details are disclosed in the Strategic report of the 2023 Annual Report pages 3 to 98. Through our audit procedures, we:

- Obtained an understanding of management's process for considering the impact of climate-related risks through enquiries performed with the Audit & Risk Committee, enquiries and inspection of relevant documentation with the ESG Committee as well as regular meetings with management.
- To assess the consistency of climate related risks identified by management with our understanding of the entity and risk assessment, we obtained and reviewed management's assessment of climate related risks, read the minutes of meeting of the ESG Committee and specifically inquired of management of any climate-related litigations or claims involving the group.
- As disclosed in note 4(b) to the financial statements, Management identified that the group's producing oil & gas properties are short-term in nature and are likely to be fully depreciated within 10 years, during which timeframe it is expected that global demand for oil will remain robust. Therefore, due to the relatively short-time frame, management concluded that the impact of climate change on the group's oil & gas properties depletion, economic useful lives and decommissioning not to be material. Management further identified that the impact of climate change on the group's exploration & evaluation assets is similar to the group's producing oil & gas properties, but the potential longevity of those assets has not yet been determined for further consideration. Accordingly, the related principal risk that we have identified for our audit is the forecast oil assumptions used in the recoverable amount assessment of the group's producing oil & gas properties may not appropriately reflect changes in supply and demand, or policy changes such as carbon tax/pricing due to climate change and the energy transition (see the key audit matter in section '5 Impairment of producing oil & gas assets' above).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHAROS ENERGY PLC - continued

In order to address the risk identified, we performed the following procedures:

- With the involvement of our climate change specialists, we read the climate change related disclosures presented in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit, including the disclosure of sensitivities showing the impact on impairment of producing oil & gas assets included in note 16 of the financial statements.
- We evaluated management's Task Force on Climate-Related Disclosures in line with the latest guidance, and;
- We evaluated management's forecast oil price assumptions to assess whether they are reasonable and present management's current 'best estimate' in accordance with IAS 36 (see the key audit matter in section 5 'Impairment of producing oil & gas assets' above).

7.4. Working with other auditors

The group audit team assesses each year how best to be appropriately involved in the audit work undertaken in Vietnam and Egypt. In the current year, this was achieved by sending detailed instructions to our component audit teams, setting the scope of the component auditors and assessing the component auditor's independence, regular interaction and providing direction on enquiries made by the component auditors through online and telephone conversations, performing a remote review of the underlying work and key audit areas of the component auditors in Vietnam by a senior member of the group audit team and visiting the Egypt component team in Cairo.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, climate change and reserves specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in management's assessment of the impairment and impairment reversal of producing oil & gas assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation in the UK, Vietnam and Egypt.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment and impairment reversal of producing oil & gas assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit and risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHAROS ENERGY PLC - continued

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 110;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 110;
- the directors' statement on fair, balanced and understandable set out on page 110;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 111;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 111; and
- the section describing the work of the audit committee set out on page 120.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the directors on 1 August 2002 to audit the financial statements of the group for the year ending 31 December 2002 and subsequent financial periods.

The total uninterrupted period of engagement, including previous renewals and reappointments of the firm is 22 years, covering the years ending 31 December 2002 to 31 December 2023.

This is the last period of our appointment as auditor for the group, owing to mandatory rotation requirements.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

ANTHONY MATTHEWS, FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 March 2024

Consolidated Income Statement

for the year to 31 December 2023

	Notes	2023 $ million	2022 $ million
Continuing operations			
Revenue	5, 6	**167.9**	199.1
Cost of sales	7	**(111.2)**	(116.8)
Gross profit		**56.7**	82.3
Administrative expenses		**(9.0)**	(10.0)
Pre-licence costs		**(0.4)**	–
Impairment (charge)/reversal – Intangible assets	6, 15	**(6.5)**	0.8
Impairment (charge)/reversal – Property, plant and equipment	6, 16	**(58.9)**	27.1
Operating (loss)/profit		**(18.1)**	100.2
Other/restructuring expense	8	**(0.6)**	(0.8)
Loss on disposal	37	**–**	(6.6)
(Loss)/gain on fair value movement of financial asset	6, 37	**(0.3)**	0.3
Investment revenue	5	**0.2**	0.2
Finance costs	9	**(10.2)**	(12.7)
(Loss)/profit before tax	6	**(29.0)**	80.6
Income tax charge	6, 12	**(19.8)**	(56.2)
(Loss)/profit for the year	30	**(48.8)**	24.4
(Loss)/profit per share (cents)	14		
Basic		**(11.4)**	5.6
Diluted		**(11.4)**	5.4

Consolidated Statement of Comprehensive Income

for the year to 31 December 2023

	Notes	2023 $ million	2022 $ million
(Loss)/profit for the year	30	**(48.8)**	24.4
Items that may be subsequently reclassified to profit or loss:			
Fair value gain/(loss) arising on hedging instruments during the year	25	**0.6**	(18.9)
Less: Loss arising on hedging Instruments reclassified to profit or loss	25	**0.2**	22.5
Total comprehensive (loss)/income for the year		**(48.0)**	28.0

The above Consolidated Income Statement and Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS - continued

Balance Sheets

as at 31 December 2023

	Notes	Group 2023 $ million	Group 2022 $ million	Company 2023 $ million	Company 2022 $ million
Non-current assets					
Intangible assets	15	**18.2**	16.5	**–**	–
Property, plant and equipment	16	**279.3**	381.0	**–**	–
Right-of-use assets	16, 33	**0.5**	0.8	**–**	–
Investments	17	**–**	–	**294.3**	335.5
Loan to subsidiaries		**–**	–	**16.8**	23.0
Other assets	18	**58.6**	59.1	**–**	–
		356.6	457.4	**311.1**	358.5
Current assets					
Inventories	19	**3.3**	7.2	**–**	–
Trade and other receivables	20	**62.3**	60.9	**0.4**	0.4
Tax receivables		**2.2**	2.1	**0.2**	0.1
Cash and cash equivalents	21	**32.6**	45.3	**1.7**	8.8
		100.4	115.5	**2.3**	9.3
Total assets		**457.0**	572.9	**313.4**	367.8
Current liabilities					
Trade and other payables	22	**(14.2)**	(14.0)	**(4.0)**	(1.9)
Borrowings	24	**(29.5)**	(39.6)	**–**	–
Lease liabilities	33	**(0.3)**	(0.3)	**–**	–
Tax payable		**(5.8)**	(5.2)	**(0.9)**	(1.2)
		(49.8)	(59.1)	**(4.9)**	(3.1)
Non-current liabilities					
Other payables	22	**(0.5)**	(0.9)	**–**	–
Deferred tax liabilities	23	**(68.2)**	(92.9)	**–**	–
Borrowings	24	**(11.0)**	(34.6)	**–**	–
Lease liabilities	33	**(0.2)**	(0.5)	**-**	--
Long term provisions	26	**(53.8)**	(54.3)	**–**	–
		(133.7)	(183.2)	**–**	–
Total liabilities		**(183.5)**	(242.3)	**(4.9)**	(3.1)
Net assets		**273.5**	330.6	**308.5**	364.7
Equity					
Share capital	27	**33.7**	34.3	**33.7**	34.3
Share premium	27	**58.0**	58.0	**58.0**	58.0
Other reserves	28	**255.4**	253.6	**200.6**	199.7
Retained (deficit)/earnings	30	**(73.6)**	(15.3)	**16.2**	72.7
Total equity		**273.5**	330.6	**308.5**	364.7

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

The loss for the financial year in the accounts of the Company (Co number 3300821) was $(47.0)m inclusive of dividends from subsidiary undertakings (2022: $60.7m profit). As provided by section 408 of the Companies Act 2006, no Income Statement or Statement of Comprehensive Income is presented in respect of the Company.

The Financial Statements were approved by the Board of Directors on 27 March 2024 and signed on its behalf by:

JOHN MARTIN Chairman

SUE RIVETT Director

Statements of Changes in Equity

for the year to 31 December 2023

Group

	Notes	Called up share capital (see Note 27) $ million	Share premium (see Note 27) $ million	Other reserves (see Note 28) $ million	Retained earnings/(deficit) (see Note 30) $ million	Total $ million
As at 1 January 2022		34.9	58.0	250.5	(39.0)	304.4
Profit for the year	30	–	–	–	24.4	24.4
Other comprehensive income	28	–	–	3.6	–	3.6
Share buy back	27, 28, 30	(0.6)	–	0.6	(2.9)	(2.9)
Treasury shares repurchased	28	–	–	(0.6)	–	(0.6)
Share-based payments	28	–	–	1.7	–	1.7
Transfer relating to share-based payments	28, 30	–	–	(2.2)	2.2	–
As at 1 January 2023		**34.3**	**58.0**	**253.6**	**(15.3)**	**330.6**
Loss for the year	30	**–**	**–**	**–**	**(48.8)**	**(48.8)**
Other comprehensive income	28	**–**	**–**	**0.8**	**–**	**0.8**
Share buy back	27, 28, 30	**(0.6)**	**–**	**0.6**	**(2.8)**	**(2.8)**
Share-based payments	28	**–**	**–**	**1.0**	**–**	**1.0**
Distributions to shareholders	29,30	**–**	**–**	**–**	**(7.3)**	**(7.3)**
Transfer relating to share-based payments	28, 30	**–**	**–**	**(0.6)**	**0.6**	**–**
As at 31 December 2023		**33.7**	**58.0**	**255.4**	**(73.6)**	**273.5**

Company

	Notes	Called up share capital (see Note 27) $ million	Share premium (see Note 27) $ million	Other reserves (see Note 28) $ million	Retained earnings/(deficit) (see Note 30) $ million	Total $ million
As at 1 January 2022		34.9	58.0	202.4	12.6	307.9
Profit for the year	13, 30	–	–	–	60.7	60.7
Share buy back	27, 28 ,30	(0.6)	–	0.6	(2.9)	(2.9)
Share-based payments	28	–	–	1.7	–	1.7
Transfer relating to share-based payments	28, 30	–	–	(5.0)	2.3	(2.7)
As at 1 January 2023		**34.3**	**58.0**	**199.7**	**72.7**	**364.7**
Loss for the year	13, 30	**–**	**–**	**–**	**(47.0)**	**(47.0)**
Share buy back	27, 28 ,30	**(0.6)**	**–**	**0.6**	**(2.8)**	**(2.8)**
Share-based payments	28	**–**	**–**	**1.0**	**–**	**1.0**
Distributions to shareholders	29 ,30	**–**	**–**	**–**	**(7.3)**	**(7.3)**
Transfer relating to share-based payments	28, 30	**–**	**–**	**(0.7)**	**0.6**	**(0.1)**
As at 31 December 2023		**33.7**	**58.0**	**200.6**	**16.2**	**308.5**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS - continued

Cash Flow Statements

for the year to 31 December 2023

		Group		Company	
	Notes	**2023 $ million**	2022 $ million	**2023 $ million**	2022 $ million
Net cash from (used in) operating activities	32	**44.9**	53.4	**(8.1)**	(11.6)
Investing activities					
Purchase of intangible assets		**(9.7)**	(4.4)	**–**	–
Purchase of property, plant and equipment		**(13.5)**	(25.4)	**–**	–
Payment to abandonment fund	18	**(3.5)**	(2.1)	**–**	–
Consideration in relation to farm out of Egyptian assets[1]	20	**15.6**	18.4	**–**	–
Contingent consideration received in relation to farm out of Egyptian assets	20	**5.0**	–	**–**	–
Assignment fee in relation to farm out of Egyptian assets	22	**(0.5)**	(0.5)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**11.4**	19.0
Net cash (used in) from investing activities		**(6.6)**	(14.0)	**11.4**	19.0
Financing activities					
Share based payments		**–**	(0.4)	**–**	–
Repayment of borrowings	24	**(44.2)**	(27.1)	**–**	–
Proceeds from borrowings	24	**9.2**	16.7	**–**	–
Interest paid on borrowings	24	**(6.4)**	(6.0)	**–**	–
Lease payments	33	**(0.3)**	(0.1)	**–**	–
Share buy back	30	**(2.8)**	(2.9)	**(2.8)**	(2.9)
Dividends paid to shareholders	29	**(5.6)**	–	**(5.6)**	–
Funding movements with subsidiaries		**–**	–	**(2.1)**	(1.0)
Net cash used in financing activities		**(50.1)**	(19.8)	**(10.5)**	(3.9)
Net (decrease)/increase in cash and cash equivalents		**(11.8)**	19.6	**(7.2)**	3.5
Cash and cash equivalents at beginning of year		**45.3**	27.1	**8.8**	5.3
Effect of foreign exchange rate changes		**(0.9)**	(1.4)	**0.1**	–
Cash and cash equivalents at end of year	21	**32.6**	45.3	**1.7**	8.8

1) During the year IPR, acting as operator and agent, was authorised to settle its operating liabilities of $3.5m (2022: $6.6m) and investing liabilities of $12.1m (2022: $8.8m) against the consideration due from the associated carry debtor (Note 20) amounting to $15.6m (2022: $15.4m). The Company has disclosed the underlying cash flows as operating, investing or financing according to their nature on the basis that, as a principal, the entity has the right to the cash inflows and/or the obligation to settle the liability and ensure clarity of disclosure of the operating cash costs of the business.

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

1. General information

Pharos Energy plc is a company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 6, in the Operations Review and CFO's Statement on pages 29 to 35 and pages 40 to 47, respectively. Pharos Energy plc is the ultimate parent company of the Group and except where otherwise indicated the following accounting policies apply to both the Group and the Company.

2. Material accounting policies information

a) Basis of preparation

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB).

The Financial Statements have also been prepared on a going concern basis of accounting for the reasons set out in Note 4.

The Financial Statements have been prepared under the historical cost basis, except for the valuation of hydrocarbon inventories (Note 19) and the revaluation of certain financial instruments (Note 35). The Financial Statements are presented in US dollars as it is the functional currency of each of the Company's subsidiary undertakings and is generally accepted practice in the oil and gas sector.

The principal accounting policies adopted are set out below.

b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies:

The Group has adopted the amendments to IAS 1 for the first time in the current year.

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements ('four-step materiality process') provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- Insurance Contracts – IFRS 17 (including the June 2020 and December 2021 Amendments)
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 year end and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods nor on foreseeable future transactions.

d) Basis of consolidation

The Group Financial Statements consolidate the accounts of Pharos Energy plc and entities controlled by the Company (its subsidiary undertakings) drawn up to the balance sheet date. Control is achieved where the investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Where necessary, adjustments are made at the Group level to align the accounting policies of the subsidiaries to the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

e) Investments

Non-current investments in subsidiaries of the Company are shown at cost less provision for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

f) Interests in joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements where the Group has the rights to assets and obligations for liabilities of the arrangement are classified as joint operations and are accounted for by recognising the Group's share of assets, liabilities, income and expenses.

Joint arrangements where the Group has the rights to the net assets of the arrangement are classified as joint ventures and are accounted for using the equity method of accounting.

g) Revenue

Revenue represents the fair value of the Group's share of oil and gas sold during the year on a liftings basis and is recognised when the Group satisfies a performance obligation by transferring oil and gas to a customer. In accordance with the Group's sales agreements for oil and gas, the title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied.

Investment revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

h) Other/restructuring items

Other/restructuring items represent income and expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group and, therefore, are not expected to recur frequently or regularly.

i) Intangible and tangible non-current assets

Oil and gas exploration, evaluation and development expenditure

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and direct administration costs are initially capitalised as intangible non-current assets in cost centres by well (most typically), field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indicators of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depreciation, depletion and amortisation accounting policy.

Depreciation, depletion and amortisation

Depletion is provided on oil and gas assets in production using the unit of production method, based on proven and probable reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development costs at current prices. Oil and gas assets which have a similar economic life are aggregated for depreciation purposes.

Impairment of value

Where there has been a change in economic conditions or in the expected use of a tangible non-current asset that indicates a possible impairment of an asset, management tests the recoverability of the net book value of the asset by comparison with the estimated discounted future net cash flows based on management's expectations of future oil prices and future costs. Any identified impairment is charged/credited to the income statement in the period in which it is identified.

Intangible non-current assets are considered for impairment at least annually by reference to the indicators specified in paragraphs 18 to 20 of IFRS 6. The impairment indicators in IFRS 6 for each exploration asset are:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other tangible non-current assets

Other tangible non-current assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of those assets, less residual value, over their expected useful lives of three to seven years.

Decommissioning

The decommissioning provision is calculated as the net present value of the Group's share of the expenditure which is expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant property, plant and equipment and is thus charged to the income statement on a unit of production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

j) Changes in estimates

The effects of changes in estimates on the unit of production calculations are accounted for prospectively, from the date of adoption of the revised estimates, over the estimated remaining proven and probable reserves.

k) Inventories

Inventories, except for inventories of hydrocarbons, are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises direct purchase costs. Net realisable value is determined by reference to prices existing at the balance sheet date.

Physical inventories of hydrocarbons are valued at net realisable value in line with well established industry practice. Underlifts and overlifts are valued at market value and are included in accrued income and prepayments, and accruals and deferred income, respectively. Changes in hydrocarbon inventories, underlifts and overlifts are adjusted through cost of sales.

l) Leases

On inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether the contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, and the Group has the right to direct the use of the asset.

For short-term leases (lease term less than 12 months) and leases for which the underlying asset is of low value assets, the Group has opted to recognise a lease expense on a straight-line basis.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

m) Share-based payments

Equity-settled awards under share-based incentive plans are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight- line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

For cash-settled share-based payments, a liability is recognised measured initially at fair value. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is measured, with any changes in fair value recognised in profit or loss for the year.

n) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available to recover the asset. Deferred tax is not recognised where an asset or liability is acquired in a transaction which is not a business combination for an amount which differs from its tax value.

Deferred tax is calculated at the tax rates that are expected to be applied in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

o) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

There are no material financial assets and liabilities for which differences between carrying amounts and fair values are required to be disclosed. The classification of financial instruments as required by IFRS 7 is disclosed in Notes 20, 21, 22, 24, 33 and 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Financial asset at fair value through profit or loss

Where a financial instrument is classified as a financial asset at fair value through profit or loss it is initially recognised at fair value. At each balance sheet date the fair value is reviewed and any gain or loss arising is recognised in the income statement. Changes in the net present value of the financial asset arising from discounting are included in other income and expense. As at 31 December 2023 and 2022 no financial assets were classified at fair value through profit or loss.

Other financial assets

The amount booked as abandonment fund is the share of the fair value of the fund net assets. Cash is contributed into the abandonment funds for both our Vietnam producing fields TGT and CNV. These abandonment funds are controlled by PetroVietnam and, as Pharos retains the rights to the full amount funded, pending commencement of abandonment operations, they are treated as other non-current assets.

The abandonment fund is measured at the lower of the amount of the decommissioning obligation recognised and the Pharos' share of the fair value of the net assets of the fund available to contributors.

Loans to subsidiaries

Loans to subsidiaries are recognised at amortised cost, less expected credit losses provision, when required.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and loans to subsidiaries. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derivative and hedging instruments

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Pharos entered into different commodity (zero cost collar) hedges to protect the Brent component of forecast oil sales and to ensure future compliance with its obligations under the RBL. Pharos has designated the zero cost collars as cash flow hedges. For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement.

Borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including any direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and transaction costs) through the expected life of the financial liability to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Equity instruments repurchased are deducted from equity at cost.

p) Provisions

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote or the amount of the liability cannot be measured with sufficient reliability.

Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions:

Provisions for the costs to decommission oil & gas properties are recognised when the Group has an obligation required by the terms and conditions of the agreements and when a reliable estimate can be made.

The abandonment security fund is measured at the lower of the amount of the decommissioning obligation recognised and the contributor's share of the fair value of the net assets of the fund available to contributors.

The provision for the costs of decommissioning oil & gas properties at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using the nominal discount rate. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

q) Foreign currencies

The individual financial statements of each Group company are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date, or if appropriate, at the forward contract rate. Any resulting gains and losses are included in net profit or loss for the period.

For the purpose of presenting consolidated financial statements the results of entities denominated in currencies other than US dollars are translated at the daily rate of exchange and their balance sheets at the rates ruling at the balance sheet date. Any resulting gains or losses are taken to other comprehensive income.

r) Pension costs

The contributions payable in the year in respect of pension costs for defined contribution schemes and other post-retirement benefits are charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

3. Financial risk management

The Board reviews and agrees policies for managing financial risks that may affect the Group. In certain cases the Board delegates responsibility for such reviews and policy setting to the Audit and Risk Committee. The principal financial risks affecting the Group are discussed in the Risk Management Report on pages 48 to 59 and in Note 36.

4. Critical judgements and accounting estimates

a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies described in Note 2, management has made judgements that may have a significant effect on the amounts recognised in the financial statements. These are discussed below:

Oil and gas assets

Note 2(i) describes the judgements necessary to implement the Group's policy with respect to the carrying value of intangible exploration and evaluation assets.

Management considers these assets for impairment at least annually with reference to indicators in IFRS 6. Note 15 discloses the carrying value of intangible exploration and evaluation assets along with details of impairment charges that arose during the year. Further, Note 2(i) describes the Group's policy regarding reclassification of intangible assets to tangible assets. Management considers the appropriateness of asset classification at least annually.

Going concern

The Financial Statements have been prepared on the going concern basis of accounting. 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 Ukraine war with increased uncertainties and volatilities on world commodity markets. This risk has been taken into consideration through downside oil price sensitivities, including the application of a reverse stress test. In addition, consideration has also been given to the ongoing delayed payment of EGPC trade receivables in Egypt and the macro-economic environment in-country, which has caused progressive devaluation of EGP currency against

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

USD. Further details in this area are provided in the Directors' Report on page 143.

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

A base case forecast has been considered that utilises oil prices of $81.5/bbl in 2024 and $79/bbl in 2025. The key assumptions and related sensitivities include a "Reasonable Worst Case" (RWC) scenario, where the Board has taken into account the risk of an oil price crash broadly similar to what occurred in 2020. It assumes the Brent oil price down by a third to $54.3/bbl in April 2024 and gradually recovers to base price in next 12 months, concurrent with 5% reductions in Vietnam and Egypt production compared to our base case from April 2024. Both the base case and RWC take into account effect of hedging that has already been put in place at 31 December 2023 and subsequent hedges placed in 2024, now covering c.28% for the full year 2024 and 15% of 1H 2025. We have therefore secured an average floor price and ceiling price of c. $63.5/bbl and c. $89/bbl, respectively, for the entire hedged volumes. Under the RWC scenario, we have identified appropriate mitigating actions, which could look to defer uncommitted expenditure as required.

In addition, we have conducted a reverse stress test sensitivity analysis that indicates the magnitude of oil price decline required to breach our financial headroom, assuming all other variables remain unchanged.

Our business in Vietnam remains robust, with breakeven price of c.$34/bbl. In TGT we have 2 wells planned to be drilled in 2H 2024. The majority of our debt of $30m as at 31 December 2023 is secured against the Vietnam assets under the RBL which will be repaid by July 2025.

In Egypt, we have limited capital expenditure, low cost recompletions and waterflood in El-Fayum and development drilling on NBS in 2H 2024. As at 31 December 2023, there is $9.2m drawn on an Uncommitted Revolving Credit facility on the Egypt revenue invoices.

On the basis of the forecasts provided above, the Group is expected to have sufficient financial headroom for the 12 months from the date of approval of the 2023 Accounts. Based on this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations in the foreseeable future. Therefore, the Financial Statements have been prepared using the going concern basis of accounting.

A reverse stress test has been performed to test for a further decline in oil price, prior to any mitigating actions, to determine the level/threshold that would breach covenants or no liquidity headroom left. The likelihood of Brent price dropping to this level is consider to be remote and the company can implement various mitigating actions and strategies to address any potential challenges.

b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, other than those mentioned above, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Oil and gas reserves and DD&A

Note 2(i) sets out the Group's accounting policy on DD&A. Proven and probable reserves are estimated using standard recognised evaluation techniques and are disclosed on page 33. The estimate is reviewed at least twice a year and is audited by third party reservoir engineers at year end. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers. As discussed in the Operations Review on page 33, the Vietnam fields, TGT and CNV proved and probable reserves estimates have been revised based on ongoing work of ERCE and audited by our Reserves Auditors, RISC Advisory Pty Ltd. For the El Fayum and NBS fields in Egypt, proved and probable reserves estimates have been revised based on work of ERCE and audited by McDaniels. Reserves estimates are inherently uncertain, especially in the early stages of a field's life, and are routinely revised over the producing lives of oil and gas fields as new information becomes available, judgements are taken over the life of the licence, and as economic conditions evolve. Such revisions may impact the Group's future financial position and results, in particular, in relation to DD&A and impairment testing of oil and gas property, plant and equipment.

Impairment of producing oil and gas assets

If impairment indicators are identified in relation to a producing oil and gas field, management is required to carry out an assessment in accordance with IAS 36 'Impairment of Assets' by comparing the net carrying value of the assets and liabilities which represent the field cash generating unit (CGU) with the estimated recoverable amount of the field. Management generally determines the recoverable amount of the field by estimating its value in use, using a discounted cash flow method. Calculating the net present value of the discounted cash flows involves key assumptions which include commodity prices, 2P reserves estimates and discount rates. Other assumptions include production profiles, future operating and capital expenditures and the relevant fiscal terms. Further information relating to the specific assumptions and uncertainties relevant to impairment tests performed in the year are discussed in Note 16.

c) Climate change and the energy transition

In preparing the consolidated financial statements, the Directors have considered the impact of climate change and the transition to a low carbon economy, particularly in the context of the risks identified in the TCFD disclosure on pages 83 to 98. The Directors have also considered the impact of climate change in respect of going concern and viability of the Group over the next three years. In particular, the energy transition is likely to impact future oil and gas prices which in turn may affect the recoverable amount of the group's property, plant and equipment (PP&E). Management's best estimate of future oil prices was revised down significantly in 2020 but was adjusted upwards in 2021, 2022 and 2023, partly due to expectations of the impact of the energy transition. In developing these price assumptions, consideration was given to a range of third party forecasts, including a number that were described as being consistent with achieving the goal to reach net zero by 2050 and aligning with COP26 (the "Net Zero price scenario"). The Company's 2023 oil price forecast is higher due to the IEA ('International Energy Agency') raising its net zero price from $35 to $42 per barrel by 2030, and from $24 to $25 per barrel by 2050. Further details of the key assumptions in this area have been provided in Note 16, including sensitivity analysis outlining the impact on the impairment charges of using the average of the Paris compliant scenarios. In addition to impairment, climate change pressures could curtail the expected useful lives of the group's oil and gas PP&E, thereby accelerating depreciation charges. However, the group's producing fields are likely to be fully depreciated within 11 years, during which timeframe it is expected that global demand for oil will remain robust. Accordingly, the impact of climate change on expected useful lives is not considered to be a significant judgement or estimate.

In addition to PP&E, climate change could: (1) adversely impact the future development or viability of exploration and evaluation (E&E) prospects. However, the impact of climate change will be taken into consideration when the field is transferred from exploration to development stage; (2) bring forward the date of decommissioning of the group's producing oil and gas assets in Vietnam, thereby increasing the net present value of the associated provision. However, decommissioning is currently forecast to occur within the next 7-8 years and, due to the relatively short timeframe, it is not considered that any reasonably possible acceleration in the timing of decommissioning will have a material impact on the provision, assuming the underlying cost estimates remain unchanged.

The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

5. Total revenue

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

	2023 $ million	2022 $ million
Oil and gas sales (see Note 6)	168.1	221.6
Realised losses on commodity hedges (see Note 6 and Note 25)	(0.2)	(22.5)
Investment revenue	0.2	0.2
	168.1	199.3

6. 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). There are no inter-segment sales. South East Asia and Egypt form the basis on which the Group reports its segment information.

				2023
	SE Asia $ million	Egypt $ million	Unallocated $ million	Group $ million
Oil and gas sales (see Note 5)	149.2	18.9	–	168.1
Realised loss on commodity hedges (see Note 5 and Note 25)	–	–	(0.2)	(0.2)
Total revenue	149.2	18.9	(0.2)	167.9
Depreciation, depletion and amortisation - Oil and gas (see Note 7 and Note 16)	(51.0)	(4.4)	–	(55.4)
Depreciation, depletion and amortisation - Other (see Note 16)	–	(0.2)	–	(0.2)
Pre-licence costs	–	(0.4)	–	(0.4)
Impairment charge – Intangible assets (see Note 15)	–	(6.5)	–	(6.5)
Impairment charge - PP&E (see Note 16)	(46.0)	(12.9)	–	(58.9)
Loss on fair value movement of financial asset (see Note 37)	–	(0.3)	–	(0.3)
Profit/(loss) before tax[1]	5.6	(18.4)	(16.2)	(29.0)
Tax charge on operations (see Note 12)	(36.0)	–	–	(36.0)
Tax credit on impairment charge (see Note 12)	16.2	–	–	16.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

				2022
	SE Asia $ million	Egypt $ million	Unallocated $ million	Group $ million
Oil and gas sales (see Note 5)	184.8	36.8	–	221.6
Realised loss on commodity hedges (see Note 5 and Note 25)	–	–	(22.5)	(22.5)
Total revenue	184.8	36.8	(22.5)	199.1
Depreciation, depletion and amortisation - Oil and gas (see Note 7 and Note 16)	(51.0)	(4.1)	–	(55.1)
Depreciation, depletion and amortisation - Other (see Note 16)	–	(0.1)	–	(0.1)
Impairment reversal/(charge) - Intangible assets[2]	1.0	–	(0.2)	0.8
Impairment reversal - PP&E (see Note 16)	23.3	3.8	–	27.1
Loss on disposal (see Note 37)	–	(6.6)	–	(6.6)
Gain on fair value movement of financial asset (see Note 37)	–	0.3	–	0.3
Profit/(loss) before tax[1]	108.3	16.9	(44.6)	80.6
Tax charge on operations (see Note 12)	(47.9)	–	–	(47.9)
Tax charge on impairment reversal (see Note 12)	(8.3)	–	–	(8.3)

1) Unallocated amounts included in profit/(loss) before tax comprise corporate costs not attributable to an operating segment, investment revenue, other gains and losses and finance costs.

2) Includes $1.0m reversal of impairment of Block 125&126 tax receivable (other receivable – current), offset by $(0.2)m write-off of seismic costs relating to Israel exploration Zones A and C (see Note 15).

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 2.

Included in revenues arising from South East Asia and Egypt are revenues of $149.2m and $18.9m which arose from the Group's two largest customers, who contributed more than 10% to the Group's oil and gas revenue (2022: $182.5m and $36.8m in South East Asia and Egypt from the Group's three largest customers).

Geographical information

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

Revenue

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

	2023 $ million	2022 $ million
Vietnam	149.2	97.1
Egypt	18.9	36.8
China	–	87.7
	168.1	221.6

Non-current assets

	2023 $ million	2022 $ million
Vietnam	240.4	332.5
Egypt	57.6	65.8
	298.0	398.3

Excludes other assets.

7. Cost of sales

	2023 $ million	2022 $ million
Depreciation, depletion and amortisation (see Note 16)	55.4	55.1
Production based taxes	10.5	14.7
Export duty	–	3.2
Production operating costs	41.3	45.6
Inventories	4.0	(1.8)
	111.2	116.8

8. Other/restructuring expense

	2023 $ million	2022 $ million
Redundancy costs	–	0.1
Other	0.6	–
Premium – lease transfer	–	0.7
	0.6	0.8

In 2023, other expenses of $0.6m were due to changes in the best estimate of the adjustment relating to the interim period between the economic date of 1 July 2020 and the completion date of the disposal of 55% interest in the Egypt concessions.

In 2022, $0.7m relates to the transfer of the London office lease to a third party, at which point the Company derecognised the right of use asset and associated lease liability. In 2020, $1.2m was transferred to an escrow account held by a third party (recorded within prepayments). The amount was released to the income statement over 21 months on the condition the new tenant paid the rent to the landlord. In 2022, the remaining balance of $0.7m was released from the escrow account and paid to the new tenant.

9. Finance costs

	2023 $ million	2022 $ million
Unwinding of discount on provisions (see Note 26)	2.0	1.3
Interest expense payable and similar fees (see Note 24)	6.4	6.0
RBL modification charge and amortisation of capitalised borrowing costs (see Note 24)	1.3	4.1
Net foreign exchange losses	0.5	1.3
	10.2	12.7

In 2023, $2.0m relates to the unwinding of discount on the provisions for decommissioning (2022: $1.3m). The provisions are based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of TGT and CNV (currently estimated to be 7-8 years) in the removal and decommissioning of the facilities currently in place (see Note 26).

Following the June and December 2023 redeterminations and the $35.0m 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 charge of $2.7m (2022: $2.6m) was recognised in profit and loss, offset by an amortisation adjustment of $(1.4)m (2022: amortised cost of $1.5m).

10. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2023 $000s	2022 $000s
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	574	418
Fees payable to the Company's auditor and their associates for other services to the Group:		
Audit of the Company's subsidiaries	11	100
Audit of the Company's subsidiaries relating to the prior year	–	36
Total audit fees	585	554
Audit related assurance services – half year review	141	127
Other assurance services	37	40
Total non-audit fees	178	167

The non-audit fees during 2023 included the half year review and other assurance services associated primarily with agreed upon procedures relating to Vietnam (2022: half year review and other assurance services associated primarily with the agreed upon procedures relating to the Vietnam region).

All non-audit fees were fully approved by the Audit and Risk Committee, having concluded such services were compatible with auditor independence and were consistent with relevant ethical guidance in place.

Details of the Company's policy on the use of auditors for non-audit services are set out in the Audit and Risk Committee Report on pages 120 to 125.

Fees payable to Deloitte LLP for non-audit services to the Company are not required to be disclosed separately because the Consolidated Financial Statements disclose such fees on a consolidated basis.

11. Staff costs

The average monthly number of employees of the Group including Executive Directors was 38 (2022: 52), of which 34 (2022: 47) were administrative personnel and 4 (2022: 5) were operations personnel. Their aggregate remuneration comprised:

		Group
	2023 $ million	2022 $ million
Wages and salaries	6.1	8.0
Social security costs	0.6	0.8
Share-based payment expense (see Note 31)	1.3	1.7
Other pension costs under money purchase schemes	0.5	0.5
Other benefits	0.7	0.6
	9.2	11.6

In accordance with the Group's accounting policy $3.3m (2022: $2.4m) of the Group's staff costs above have been capitalised, of which $2.5m (2022: $1.8m) relates to our Vietnam assets and $0.8m (2022: $0.6m) relates to our Egypt assets.

In 2023, total staff costs were $9.2m (2022: $11.6m) and includes the costs of head office and Pharos' subsidiary employees. Excluding the impact of IFRS 2 share-based payment expense and bonuses paid to staff, the underlying costs have fallen 19% year on year - $5.8m (2022: $7.2m).

In 2022, redundancy costs of $0.1m, for both the head office in London and the Egypt office in Cairo, were disclosed in other/restructuring expense in the Income Statement (see Note 8).

12. Tax

	2023 $ million	2022 $ million
Current tax charge	44.5	54.5
Deferred tax credit on operations (see Note 23)	(8.5)	(6.6)
Deferred tax (credit)/charge on impairment (see Note 16 and 23)	(16.2)	8.3
Total tax charge	19.8	56.2

The Group's corporation tax is calculated at 50% (2022: 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 2023 and 2022, both current and deferred taxation have arisen in overseas jurisdictions only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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

	2023 $ million	2022 $ million
(Loss)/Profit before tax	**(29.0)**	80.6
(Loss)/Profit before tax at 50% (2022: 50%)	**(14.5)**	40.3
Effects of:		
Non-taxable income	**–**	(3.3)
Non-deductible expenses	**18.0**	5.6
Tax losses not recognised	**16.5**	13.8
Adjustments to tax charge in respect of previous periods	**(0.2)**	(0.2)
Tax charge for the year	**19.8**	56.2

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.

In 2022, non-taxable income relates to Vietnam impairment reversal of $(3.3)m. Non-deductible expenses primarily relate to Vietnam impairment charges of $6.8m and Vietnam DD&A charges for costs previously capitalised, which are non-deductible for Vietnamese tax purposes of $10.4m (2022: $5.6m). A further $0.8m (2022: $nil) relates to non-deductible corporate costs including share scheme incentives.

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

The effect from tax losses not recognised relates to costs, primarily of the Company, deductible for tax in the UK but not expected to be utilised in the foreseeable future. For 2023, it also includes losses arising in Egypt for which no future benefit can be obtained under the terms of the concession agreement. During 2022, Egypt concessions recorded a net profit before tax of $16.9m (profit after tax impact of $8.5m) which has been offset against tax losses not recognised, as Egypt is in a historic loss making position. The group did not recognise deferred tax assets in relation to historical tax losses available to offset future taxable profits of $18m on the basis that there will be no future benefits arising from these losses as any taxes in the future will be paid by EGPC on behalf of the group.

13. (Loss)/profit attributable to Pharos Energy Plc

The loss for the financial year in the accounts of the Company was $(47.0)m inclusive of dividends from subsidiary undertakings (2022: profit of $60.7m). As provided by section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented in respect of the Company.

14. Earnings per share

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

	Group	
	2023 $ million	2022 $ million
(Loss)/Gain for the purposes of basic profit/(loss) per share	**(48.8)**	24.4
Effect of dilutive potential ordinary shares – Cash settled share awards and options	**–**	(0.3)
(Loss)/Gain for the purposes of diluted profit/(loss) per share	**(48.8)**	24.1

	Number of shares (million)	
	2023	2022
Weighted average number of ordinary shares	**427.2**	439.3
Effect of dilutive potential ordinary shares – Share awards and options	**–**	0.9
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	**427.2**	440.2

In accordance with IAS 33 “Earnings per Share”, the effects of 2.9m antidilutive potential shares have not been included when calculating dilutive earnings per share for the year ended 31 December 2023, as the Group was loss making.

15. Intangible assets

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Exploration and evaluation expenditure				
As at 1 January	**16.5**	12.4	**–**	–
Additions	**11.1**	4.3	**–**	–
Transfer to property, plant and equipment	**(2.9)**	–	**–**	–
Impairment – Intangibles[1]	**(6.5)**	(0.2)	**–**	–
As at 31 December	**18.2**	16.5	**–**	–

1) 2022 excludes $1.0m impairment reversal of Block 125&126 tax receivable (other receivable – current) which was dependent on the E&E being developed.

Intangible assets at 2023 year-end comprise the Group's exploration and evaluation projects which are pending determination. Included in the additions is Blocks 125 & 126 in Vietnam $3.1m (2022: $3.1m) and Egypt $8.0m (2022: $1.0m), of which $6.7m (2022: $0.9m) relates to North Beni Suef.

At June 2020 and December 2020 an impairment indicator of IFRS 6 was triggered following the Group's decision to defer all non-essential investment in Vietnam and Egypt at this point. No substantive expenditure for its exploration areas in Vietnam and Egypt was either budgeted or planned in the near future. Exploration costs including costs associated with Blocks 125 & 126 in Vietnam of $17.9m and costs associated with Egypt projects in the amount of $5.3m ($2.4m share post-farm out) were written off in the income statement in accordance with the Group's accounting policy on oil and gas exploration and evaluation expenditure.

During 2023, approval was received from the Vietnamese Government in June for the two-year extension to Phase One of the Exploration Period under Blocks 125 & 126 PSC to 8 November 2025. On 20 July 2023, the Company published an independent assessment by ERCE for Block 125, which confirmed a range of gross unrisked prospective oil resources of between 1,178 MMstb (1U) and 29,785 MMstb (3U) with a Mean value of 13,328 MMstb for the Prospects in the North West area of Block 125 currently covered fully or partially by 3D seismic. These resources do not include Leads already identified in Blocks 125 & 126 but not yet covered by 3D seismic. Work is ongoing to progress well planning and discussions are ongoing to secure a partner ahead of drilling the commitment well in 2025. Whilst ongoing costs for exploration are therefore forecast and funds available for future exploration, there is insufficient certainty of full recovery to justify the reversal of the previous impairment charges in 2020. The accumulated impairment charges against Vietnam exploration and evaluation expenditure at 31 December 2023 therefore remain at $17.9m (2022: $17.9m).

In Egypt, as part of the planned work programme for 2023, an exploration well was drilled on El Fayum in July 2023. It was the first commitment well in the Abu Roash G and Upper Bahariya formations and the well is set-up for re-entry and testing in 2024. During 2023, as no further substantive exploration or evaluation is planned or budgeted for the El Fayum Batran-1X well drilled in 2021, the asset of $1.6m has been impaired in full.

On NBS, the first exploration commitment well (NBS-SW1X) was declared a commercial discovery in September 2023 and put on production in December 2023. As a result, exploration costs of $2.9m relating to the development lease were reclassified to property, plant and equipment. A further dry-hole well of $0.8m (NBS-SW5X) was impaired in full, leaving $4.1m (post-2020 impairment charge of $1.2m) in exploration and evaluation expenditure. No substantive expenditure is budgeted or planned in the future in relation to the NBS exploration acreage and the remaining balance of $4.1m has been fully impaired.

The accumulated impairment charges against Egypt exploration and evaluation expenditure at 31 December 2023 stand at $8.9m (2022: $2.4m).

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16. Property, plant and equipment and right-of-use assets

	Group			Company
	Oil and gas properties $ million	Other $ million	Total $ million	Other $ million
Cost				
As at 1 January 2022	1,091.9	0.9	1,092.8	–
Additions	23.8	0.2	24.0	–
Revision in decommissioning asset (see Note 26)	(13.9)	–	(13.9)	–
As at 1 January 2023	**1,101.8**	**1.1**	**1,102.9**	**–**
Additions	**11.9**	**0.2**	**12.1**	**–**
Transfer from intangible assets	**2.9**	**–**	**2.9**	
Revision in decommissioning asset (see Note 26)	**(2.5)**	**–**	**(2.5)**	**–**
As at 31 December 2023	**1,114.1**	**1.3**	**1,115.4**	**–**
Depreciation				
As at 1 January 2022	692.5	0.5	693.0	–
Charge for the year	55.1	0.1	55.2	–
Impairment (reversal)	(27.1)	–	(27.1)	–
As at 1 January 2023	**720.5**	**0.6**	**721.1**	**–**
Charge for the year	**55.4**	**0.2**	**55.6**	**–**
Impairment charge	**58.9**	**–**	**58.9**	**–**
As at 31 December 2023	**834.8**	**0.8**	**835.6**	**–**
Carrying amount				
As at 31 December 2023	**279.3**	**0.5**	**279.8**	**–**
As at 31 December 2022	381.3	0.5	381.8	–
Property, plant and equipment	**278.8**	**0.5**	**279.3**	**–**
Right-of-use assets (see Note 33)	**0.5**	**–**	**0.5**	**–**
As at 31 December 2023	**279.3**	**0.5**	**279.8**	**–**
Property, plant and equipment	380.5	0.5	381.0	–
Right-of-use assets (see Note 33)	0.8	–	0.8	–
As at 31 December 2022	381.3	0.5	381.8	–

As a result of previously recognised impairment losses, combined with the ongoing oil price volatility, economic uncertainty leading to high inflation globally and discount rates, and movements in 2P reserves, we have tested each of our oil and gas producing properties for impairment. The results of these impairment tests are summarised below. For each producing property, the recoverable amount has been determined using the value in use method. The recoverable amount is calculated using a discounted cash flow valuation of the 2P production profile.

Summary of Impairments - Oil and Gas properties	TGT $m	CNV $m	El Fayum $m	NBS $m	Total $m
2023					
Pre-tax impairment (charge)/credit	(46.3)	0.3	(11.0)	(1.9)	(58.9)
Deferred tax credit/(charge)	16.5	(0.3)	–	–	16.2
Post-tax impairment charge	(29.8)	–	(11.0)	(1.9)	(42.7)
Reconciliation of carrying amount:					
As at 1 January 2023	242.4	76.4	62.5	–	381.3
Additions	1.3	3.0	7.6	–	11.9
Transfer from intangible assets	–	–	–	2.9	2.9
Changes in decommissioning asset[1]	–	(2.5)	–	–	(2.5)
DD&A	(38.8)	(12.2)	(4.4)	–	(55.4)
Impairment (charge)/reversal	(46.3)	0.3	(11.0)	(1.9)	(58.9)
As at 31 December 2023	158.6	65.0	54.7	1.0	279.3
2022					
Pre-tax impairment reversal	19.7	3.6	3.8	–	27.1
Deferred tax charge	(6.9)	(1.4)	–	–	(8.3)
Post-tax impairment reversal	**12.8**	**2.2**	**3.8**	**–**	**18.8**
Reconciliation of carrying amount:					
As at 1 January 2022	266.0	84.2	49.2	–	399.4
Additions	7.0	3.2	13.6	–	23.8
Changes in decommissioning asset[1]	(11.1)	(2.8)	–	–	(13.9)
DD&A	(39.2)	(11.8)	(4.1)	–	(55.1)
Impairment reversal	19.7	3.6	3.8	–	27.1
As at 31 December 2022	**242.4**	**76.4**	**62.5**	**–**	**381.3**

1) Changes in decommissioning asset for CNV is due to revision of field abandonment plan and discount rate, whereas TGT reflects an immaterial change in discount rate only (2022: Changes in decommissioning asset for TGT is due to changes in discount rate and the field abandonment plan, whereas CNV reflects the change in discount rate only).

Vietnam

The key assumptions to which the recoverable amount is most sensitive are oil price, discount rate and 2P reserves (2022: oil price, discount rate and 2P reserves). In 2023, for TGT, there was a downwards technical revision of 2P reserves and the production profile compared to prior year. For CNV, there was upwards revision of the production profile following strong performance from the new lateral well. As at 31 December 2023, the fair value of the assets are estimated based on a post-tax nominal discount rate of 12.6% (2022: 13.3%) and a Brent oil price of $81.5/bbl in 2024, $79.0/bbl in 2025, $79.2/bbl in 2026, $76.3/bbl in 2027 plus inflation of 2.0% thereafter (2022: an oil price of $88.3/bbl in 2023, $84.8/bbl in 2024, $79.4/bbl in 2025, $74.5/bbl in 2026 plus inflation of 2.0% thereafter).

Testing of sensitivity cases indicated that a $5/bbl reduction in long-term oil price used when determining the value in use method would result in post-tax impairments charge (compared to new NBV) of $15.1m on TGT and $3.1m on CNV. A 1% increase in discount rate would result in post-tax impairments of $2.4m on TGT and $0.8m on CNV.

We have also run sensitivities utilising the IEA (International Energy Agency) scenarios described as being consistent with achieving the COP26 agreement goal to reach net zero by 2050 (the "Net Zero price scenario"). The nominal Brent prices used in this scenario were as follows; $81.5/bbl in 2024, $79.0/bbl in 2025, $79.2/bbl in 2026, $72.2/bbl in 2027, $64.8/bbl in 2028, $57.2/bbl in 2029, $49.2/bbl in 2030 and $49.2/bbl in 2031. Using these prices and a 12.6% discount rate would result in additional post-tax impairments of $10.3m on TGT and $4.0m on CNV.

The impairment tests for TGT and CNV assume that production ceases in 2029 and 2030 respectively, assuming the licences are extended by at least three years reflecting past practice and a commercial assessment (and consistent with the reserves estimates independently audited by RISC Advisory Pty Ltd.) that it is highly probable given the economic circumstances and current discussions. The current negotiations over terms are for a longer duration than that assumed and would be expected to improve the value in use calculated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Egypt

The key assumptions to which the recoverable amount is most sensitive are oil price, discount rate, capital spend and 2P reserves (2022: oil price, discount rate, capital spend and 2P reserves). In 2023, there was a downwards technical revision of El Fayum 2P reserves and production profile compared to prior year and NBS 2P reserves were recognised for the first time following commencement of production in December 2023. As at 31 December 2023, the fair value of the assets are estimated based on a post-tax nominal discount rate of 18.0% (2022: 15.9%) and a Brent oil price of $81.5/bbl in 2024, $79.0/bbl in 2025, $79.2/bbl in 2026, $76.3/bbl in 2027 plus inflation of 2.0% thereafter (2022: an oil price of $88.3/bbl in 2023, $84.8/bbl in 2024, $79.4/bbl in 2025, $74.5/bbl in 2026 plus inflation of 2.0% thereafter).

Testing of sensitivity cases indicated that a $5/bbl reduction in long term oil price used when determining the value in use method would result in impairment charges (compared to new NBV) of $7.1m for El Fayum and $0.9m for NBS. A 1% increase in discount rate would result in impairment charges of $2.1m on El Fayum and $0.1m on NBS. We have also run a sensitivity using 18.0% discount rate and the Net Zero price scenario which would result in an additional impairment of $23.5m on El Fayum and $1.0m on NBS.

Other considerations

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

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

17. Fixed asset investments and joint arrangements

The Company and the Group had investments in the following subsidiary undertakings as at 31 December 2023.

	Country of incorporation	Country of operation	Principal activity	Percentage holding	Footnotes	Registered address
OPECO Vietnam Limited	Cook Islands	Vietnam	Oil and gas development and production	100	2,4	e
SOCO Vietnam Limited	Cayman Islands	Vietnam	Oil and gas development and production	100	2,3	d
Pharos Exploration Limited	Jersey	–	Investment holding	100	1	a
Pharos SEA Limited	Jersey	–	Investment holding	100	1	a
SOCO Exploration (Vietnam) Limited	Cayman Islands	Vietnam	Oil and gas exploration	100	2,5	d
OPECO, Inc	USA	–	Investment holding	100	2,4	c
Pharos El Fayum	Cayman Islands	Egypt	Oil and gas exploration, development and production	100	1,6	d
SOCO Management Services, Inc.	USA	USA	Management services	100	2	c
Pharos Energy Israel Limited	UK	Israel	Extraction of crude petroleum	100	1	b

Footnotes:

Group investments

1) Investments held directly by Pharos Energy Plc.
2) Investments held indirectly by Pharos Energy Plc.

Joint operations

3) SOCO Vietnam Ltd holds a 28.5% working interest in Block 16-1, TGT Field. The Field operational base is development/production and is operated by Hoang Long Joint Operating Company which is registered in Vietnam. SOCO Vietnam Ltd holds a 25% working interest in Block 9-2, CNV Field. The Field operational base is development/production and is operated by Hoan Vu Joint Operating Company which is registered in Vietnam.
4) OPECO Vietnam Limited holds a 2% working interest in Block 16-1, TGT Field. The Field operational base is development/production and is operated by Hoang Long Joint Operating Company which is registered in Vietnam.
5) SOCO Exploration (Vietnam) Limited holds a 70% working interest in Blocks 125 & 126 and is the Operator. The operating office is registered in Vietnam. The main activity is exploration.
6) Pharos El Fayum holds a 45% working interest in the El Fayum Concession and a 45% working interest in the North Beni Suef Concession. The Field operational base for the El Fayum Concession is development/production. The remaining 55% working interest in the El Fayum Concession is held by IPR Lake Qarun Petroleum Co ("IPR Lake Qarun"), a wholly owned subsidiary of IPR Energy AG. IPR Lake Qarun is nominally the operator of the El Fayum Concession, but development and production operations on the Concession are undertaken through the joint operating company Petrosilah, an Egyptian joint stock company owned jointly by IPR Lake Qarun, Pharos El Fayum and the Egyptian state oil and gas company Egyptian General Petroleum Corporation (EGPC). The North Beni Suef Concession is in the development/production phase following first production in December 2023 and is operated by IPR Lake Qarun, which holds the remaining 55% working interest. Following a successful first exploration well on the North Beni Suef Concession in 2023, the first development lease on the Concession was awarded in September 2023. Production from the Concession started in December 2023. A new joint operating company, Petro Beni Suef, has been constituted in connection with the development and production operations on the North Beni Suef Concession.

Registered addresses

a) 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands
b) Eastcastle House, 27/28 Eastcastle Street, London W1W 8DH, United Kingdom
c) Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
d) c/o The offices of Trident Trust Company (Cayman) Limited, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103, Cayman Islands
e) c/o Portcullis (Cook Islands) Ltd, Portcullis Chambers, Tutakimoa Road, Avarua, Rarotonga, Cook Islands

Divestments:

No subsidiary undertakings were dissolved during the year.

The Company's investments in subsidiary undertakings include contributions to the Pharos Employee Benefit Trust (see Note 28) and are otherwise held in the form of share capital.

	Investments	
	2023 $ million	2022 $ million
Subsidiary undertakings		
As at 1 January	**335.5**	278.7
Additions to investments	**7.9**	0.6
Impairment (charge)/reversal	**(49.1)**	56.2
As at 31 December	**294.3**	335.5

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

At each year end, the carrying value of investments in subsidiaries is compared against recoverable amount determined using the net present value of future cash flows which are estimated based on utilising discounted cash flow analyses and other reasonable supportable assumptions for the producing assets held by each subsidiary including working capital values held. During 2023, the Company recorded a net impairment charge of $(49.1)m in investments in subsidiaries in relation to the underlying net asset values of Vietnam and Egypt operations (2022: net impairment reversal of $56.2m in investments in subsidiaries in relation to the underlying net asset values of Vietnam and Egypt operations).

Loans to subsidiary undertakings are unsecured and payable on demand. The carrying value of the loans is compared to liquid assets held by the subsidiary and an assessment is made on the ability of the entity to settle the liability. For 2023, a loss allowance of $0.3m was recognised in relation to loans to subsidiary undertakings during the year (2022: $2.3m loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Audit exemptions for subsidiary company

The Group has elected to take advantage of the exemption from audit available under section 479A of the Companies Act 2006 in respect of its wholly owned subsidiary, Pharos Energy Israel Limited (incorporated in England and Wales with company number 12645819), for the year ended 31 December 2023. The exemption is available for qualifying subsidiaries that fulfil a set of conditions. As a result, statutory financial statements will not be audited for Pharos Energy Israel Limited. In accordance with section 479C of the Companies Act 2006, the Company will guarantee the liabilities and commitments of Pharos Energy Israel Limited. As at 31 December 2023, there are no liabilities and commitments outstanding (2022: $0.1m).

18. Other non-current assets

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Amounts falling due after one year:				
Abandonment security fund	53.7	50.2	–	–
Contingent consideration on Egypt farm-out (see Note 20)	4.9	8.9	–	–
	58.6	59.1	–	–

Other non-current assets mainly comprise the Group's share of contributions made into two abandonment security funds which were established to ensure that sufficient funds exist to meet future abandonment obligations on TGT and CNV fields. The funds are controlled by PetroVietnam and the JOC partners retain the legal rights to the funds pending commencement of abandonment operations. The Group doesn't expect to receive cash or another financial asset from PetroVietnam. During 2023, the Group has contributed $3.5m (2022: $2.1m). As at 31 December 2023, the Group's total contribution to the funds was $53.7m (2022: $50.2m).

A further $4.9m (2022: $8.9m) relates to Egypt and non-current contingent consideration due from the farm-out with IPR. The Group is entitled to contingent consideration depending on the average Brent Price each year from 2022 to the end of 2025 (with floor and cap at $62/bbl and c.$90/bbl respectively). The contingent consideration is calculated yearly and is capped at a maximum total payment of $20.0m (see Note 20).

19. Inventories

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Crude oil and condensate	3.3	7.2	–	–
	3.3	7.2	–	–

Crude oil and condensate are valued at net realisable value in line with well established industry practice with changes in hydrocarbon inventories adjusted through cost of sales (see Note 7).

20. Trade and other receivables

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Amounts falling due within one year				
Trade receivables	50.8	33.2	–	–
Other receivables	9.5	27.0	–	–
Prepayments and accrued income	1.9	0.7	0.4	0.4
Derivative financial instruments (see Note 25)	0.1	–	–	–
	62.3	60.9	0.4	0.4

There is no material difference between the carrying amount of trade and other receivables and their fair value.

Included in trade and other receivables arising from South East Asia and Egypt at 31 December 2023 are trade receivables of $17.4m and $33.4m (after risk factor provision of $4.0m) respectively, which arose from the Group's two largest customers (2022: $10.3m and $22.4m, after risk factor provision of $1.8m, from the Group's two largest customers in South East Asia and Egypt respectively).

In Vietnam, there are no amounts overdue or allowances for doubtful debts in respect of trade or other receivables (2022: nil). In Egypt, the average credit period on sales is 597 days (2022: 194 days). No interest is charged on outstanding trade receivables.

Trade and other receivables are financial assets and measured at amortised cost. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade receivables. As mentioned above, 100% (2022: 99%) of our trade receivables are concentrated with two largest customers, one of them being a subsidiary of a government regulated entity and the other being a major global oil & gas company. As of 31 December 2023, an ECL provision of $4.0m (2022: $1.8m) has been recorded against trade receivables in Egypt due to collection delays caused by the devaluation of EGP and ongoing restrictions on outgoing USD transfers by the Central Bank of Egypt.

Included in other receivables is $4.9m (2022: $20.9m) of carry, the remaining balance of disproportionate funding contribution from IPR following completion of the farm-out transaction of Egyptian assets. The carry decreases every month against the cash calls received from IPR. The total amount utilised as at 31 December 2023 amounts to $31.0m (2022: $15.4m). The movement during 2023 was $15.6m, which has been disclosed in "Consideration in relation to farm out of Egyptian assets" in the cash flow as part of investing activities. The final consideration is still being finalised between IPR and Pharos.

The financial exposure from finalising the consideration to Pharos, reflecting the remaining amounts still under discussion, is considered immaterial to the financial statements.

A further $3.6m included in other receivables relates to current contingent consideration due from the farm-out with IPR. As at 31 December 2023, total contingent consideration receivable amounts to $8.5m, $3.6m in current trade and other receivables and $4.9m in other non-current other assets (2022: $13.9m, $5.0m in current trade and other receivables and $8.9m in non-current other assets). Testing of sensitivity for a $5/bbl reduction in long term oil price used would result in $0.6m decrease in contingent consideration to $7.9m. The Group is entitled to contingent consideration depending on the average Brent Price each year from 2022 to the end of 2025 (with floor and cap at $62/bbl and c.$90/bbl respectively). The contingent consideration is calculated yearly and is capped at a maximum total payment of $20.0m. On 1 June 2023, contingent consideration of $5.0m in respect of average Brent price during 2022 was received from IPR, assignment bonus of $0.5m settled to EGPC upon receipt of contingent consideration.

21. Cash and cash equivalents

As at 31 December 2023, cash and cash equivalents was $32.6m (2022: $45.3m). Of this balance, $1.2m (2022: $7.4m) were in Money Market Funds that are valued at quoted prices of the funds in the active markets for the financial instruments.

22. Trade and other payables

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Amounts falling due within one year:				
Other payables	11.3	6.3	3.5	1.1
Derivative financial instruments (see Note 25)	–	1.1	–	–
Accruals and deferred income	2.9	6.6	0.5	0.8
	14.2	14.0	4.0	1.9
Amounts falling due after one year:				
Other payables	0.5	0.9	–	–
	0.5	0.9	–	–

There is no material difference between the carrying value of trade payables and their fair value. The above trade and other payables are held at amortised cost and are not discounted as the impact would not be material. Trade and other payables are financial liabilities and are therefore measured at amortised cost.

The Group does not utilise any supplier financing (reverse factoring) arrangements. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Further information relating to financial risks and how the Group mitigate these risks are discussed in the Risk Management Report on pages 48 to 59.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

As at 31 December 2023, $0.8m (2022: $3.7m) relates to the assignment fee for the sale of 55% of the Group's operated interest in each of our Egyptian Concessions, El Fayum and North Beni Suef, to IPR. $0.3m is booked as current other payable and $0.5m as non-current other payable. Following receipt of contingent consideration amounting to $5.0m an assignment bonus of $0.5m was offset against trade receivables from EGPC.

Accruals and deferred income include $0.4m (2022: $2.5m) in respect of a royalty provision for Egypt and reflects the amount payable in the next year. The royalty provision relates to a historical arrangement granting a 3% royalty on Pharos's share of profit oil and excess cost recovery from El Fayum in Egypt.

23. Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation $ million	Other temporary differences $ million	Group $ million
As at 1 January 2022	88.3	2.9	91.2
Charge to income (see Note 12)	0.9	0.8	1.7
As at 1 January 2023	**89.2**	**3.7**	**92.9**
Credit to income (see Note 12)	**(22.8)**	**(1.9)**	**(24.7)**
As at 31 December 2023	**66.4**	**1.8**	**68.2**

The credit to income includes a deferred tax credit of $(16.2)m (2022: $8.3m charge) that arises from the impairment of the TGT and CNV producing assets as discussed in Note 16.

There are no unrecognised deferred taxation balances at either balance sheet date except in relation to gross losses that are not expected to be utilised in the amount of $155.2m (2022: $143.2m). The gross losses have no expiry date.

A UK entity in the Group has entered into commodity swaps designated as cash flow hedges. In accordance with IAS 12, a deferred tax asset has not been recognised in relation to the hedging losses of $0.2m (2022: $22.5m losses) recorded in the year as it is unlikely that the UK tax group will generate sufficient taxable profit in the future, against which the deductible temporary differences can be utilised.

24. Borrowings

	Group	
	2023 $ million	2022 $ million
Borrowings:		
Uncommitted Revolving credit facility	**9.2**	9.2
Reserve Based Lending Facility	**30.0**	65.0
RBL modification charge and amortisation of capitalised borrowing costs	**1.3**	-
Carrying value of total debt	**40.5**	74.2
Current	**29.5**	39.6
Non-current	**11.0**	34.6
Carrying value of total debt	**40.5**	74.2

	less than 1 year $ million	**1-2 years $ million**	**Group $ million**
Maturity - borrowings:			
Uncommitted Revolving credit facility	9.2	–	9.2
Reserve Based Lending Facility	20.3	11.0	31.3
	29.5	**11.0**	**40.5**

The maturity analysis for borrowings details the Group's remaining contractual maturity for its borrowings with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of borrowings based on the earliest date on which the Group can be required to pay. The reserve based lending facility is based on December 2023 redetermination.

Changes in liabilities arising from financing activities:

	2023 $ million	2023 $ million	2023 $ million	2022 $ million
	Credit facility	RBL	Total Borrowings	Total Borrowings
Carrying value as of 1 January	9.2	65.0	74.2	80.5
Proceeds from Uncommitted Revolving credit facility	9.2	-	9.2	16.7
Repayments of borrowings	(9.2)	(35.0)	(44.2)	(27.1)
RBL modification charge and amortisation of capitalised borrowing costs (see Note 9)	-	1.3	1.3	4.1
Interest payable and similar fees (see Note 9)	0.6	5.8	6.4	6.0
Interest paid during the year	(0.6)	(5.8)	(6.4)	(6.0)
Carrying value as of 31 December	9.2	31.3	40.5	74.2

See Note 33 for movements in lease liabilities which, together with borrowings, represent the Group's financing related liabilities.

Reserve Based Lending facility (RBL)

In September 2018, the Group signed a $125m Reserve Based Lending facility secured against the Group's producing assets in Vietnam. The RBL had a five-year term and was due to mature in September 2023. In July 2021, the Group completed the refinancing of its RBL. The new RBL provides access up to a committed US$100m with a further US$50m available on an uncommitted "accordion" basis, has a four-year term that matures in July 2025 and bears a per annum interest rate of 5.25% plus Compound SOFR plus CAS (Credit Adjustment Spread). Until June 2023 the RBL bore a per annum interest of 4.75% plus USD LIBOR.

The Group accounted for the change to SOFR, from 1 July 2023, using the practical expedient introduced by the Phase 2 amendments, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate (included in Finance costs line "RBL modification charge and amortisation of capitalised borrowing costs").

The maximum borrowing base available under the RBL is revised every six months via a redetermination process by the relevant banks, based on an estimate of the value of the Group's reserves from its producing interests in Vietnam. For 2023, the principal repayment made amounted to $35.0m (2022: $13.1m).

The $20.3m, categorised as current, is based on the outcome of the December 2023 RBL redetermination criteria and will likely change following the June 2024 redetermination.

The RBL is subject to a number of financial covenants, all of which have been complied with during the 2023 and 2022 reporting periods.

Uncommitted Revolving Credit facility - National Bank of Egypt

Pharos El Fayum signed an Uncommitted Revolving Credit facility for discounting (with recourse) of up to $18m with the National Bank of Egypt (UK). In January 2024, the Group renegotiated the uncommitted revolving credit facility until 30 May 2025. 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, of up to 60% of the value of each El Fayum oil sales invoice, presenting the invoices as evidence to support its ability to repay the facility. The oil sales invoices remain due to Pharos and it retains the credit risk. The Group therefore continues to recognise the receivables in their entirety in its balance sheet.

Loans are available for up to one year from the date of utilisation. The loan bore a per annum interest rate of USD LIBOR plus 3.00% for initial advances and 3.50% for any extensions beyond 180 days from the date of the utilisation until 30 June 2023. From 1 July 2023 the loan bears a per annum interest rate of Term SOFR plus CAS plus 3.50% for initial advances and 4.00% for any extensions beyond 180 days from the date of the utilisation.

The amount repayable under the agreement at 31 December 2023 was $9.2m (2022: $9.2m) and it is presented as borrowing under current liabilities. Performance under the facility agreement is subject to a parent company guarantee from Pharos Energy plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

25. Hedge transactions

During 2023, Pharos entered into zero cost collar hedges to protect the Brent component of forecast oil sales and to ensure future compliance with its obligations under the RBL over the producing assets in Vietnam.

The commodity hedges run until June 2025 and are settled monthly. For 2023, 36% of the Group's total production was hedged, securing average floor and ceiling prices for the hedged volumes at $64.5/bbl and $100.8/bbl, respectively. The Group's RBL requires the Company to hedge at least 35% of Vietnam RBL production volumes and the current hedging programme meets this requirement through to December 2024, leaving 72% of Group production unhedged as at 31 December 2023 (2022: 30% of the Group's total production was hedged, securing a minimum price for these hedged volumes of $67.9 per barrel).

A summary of hedges outstanding as at 31 December 2023 is presented below, which are all zero cost collar.

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Production hedge per quarter - 000/bbls	120	120	150	120	60	60
Min. Average value of hedge - $/bbl	63.00	63.00	64.40	63.00	64.00	64.00
Max. Average value of hedge - $/bbl	91.50	87.88	88.66	89.00	90.00	90.00

Pharos has designated the zero cost collars as cash flow hedges. This means that the effective portion of unrealised gains or losses on open positions will be reflected in other comprehensive income. Every month, the realised gain or loss will be reflected in the revenue line of the income statement. For the year end 31 December 2023, a loss of $0.2m was realised (2022: loss of $22.5m). The outstanding unrealised gain on open position as at 31 December 2023 amounts to $0.1m (2022: loss of $0.7m).

The carrying amount of the zero cost collars 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 receivable position as of December 2023 was $0.1m (2022: liability position $1.1m).

26. Long-term provisions

	Group		Company	
	2023 $ million	2022 $ million	**2023 $ million**	2022 $ million
Decommissioning provision	**53.8**	54.3	**–**	–
	53.8	54.3	**–**	–

	Group	
Movement in decommissioning	**2023 $ million**	2022 $ million
As at 1 January	**54.3**	66.9
New provisions and changes in estimates	**(2.5)**	(13.9)
Unwinding of discount (see Note 9)	**2.0**	1.3
As at 31 December	**53.8**	54.3

The provision for decommissioning is based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of the TGT and CNV fields in Vietnam (currently estimated to be 7-8 years) in the removal and decommissioning of the facilities currently in place. The provision is calculated using an inflation rate of 2.0% (2022: 2.0%) and a discount rate of 3.9% (2022: 3.8%). The $2.5m decrease in provision in 2023 was driven by a revision to the CNV field abandonment plan, which was formally agreed by all partners in April 2023. The $13.9m decrease in provision in 2022 was driven by the increase in discount rate compared to prior year (from 1.5% in 2021 to 3.8% in 2022) and also a revision to the TGT field abandonment plan, partially offset by the increase in abandonment costs relating to the TGT infill wells drilling programme completed during the year.

27. Share capital and Share premium

Share capital

Ordinary Shares of £0.05 each

	Group and Company			
	2023 Shares	2022 Shares	2023 $ million	2022 $ million
Issued and fully paid	432,026,943	441,795,126	33.7	34.3

	Group and Company	
	2023 $ million	2022 $ million
As at 1 January	34.3	34.9
Share buy back	(0.6)	(0.6)
Issued and fully paid	33.7	34.3

Share premium

	Group and Company	
	2023 $ million	2022 $ million
As at 1 January and 31 December	58.0	58.0

As at 31 December 2023, authorised share capital comprised 600 million (2022: 600 million) ordinary shares of £0.05 each with a total nominal value of £30m (2022: £30m).

In January 2023, the Company announced the continuation of a further $3m share buyback programme, the First Programme Extension, of which $2.8m had been incurred by the end of December 2023. A total of 9.9 million shares were bought, at a daily average of 22.8p. The Board believes that the Company's shares are trading at a material discount to their underlying net asset value, despite the performance across the Group's asset base, and the Board remains of the view that share buybacks is an appropriate means of returning value to shareholders. The Company therefore intends to continue with the share buyback programme in 2024 by committing a further $3m (excluding stamp duty and expenses). This further extension of the programme (the Second Programme Extension) is expected to commence following completion of the First Programme Extension.

28. Other reserves

	Group					
	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Hedging reserve $ million	Share-based payments $ million	Total $ million
As at 1 January 2022	100.3	194.0	(44.3)	(4.3)	4.8	250.5
Other comprehensive income	–	–	–	3.6	–	3.6
Share buy back	0.6	–	–	–	–	0.6
Treasury shares repurchased	–	–	(0.6)	–	–	(0.6)
Share-based payments	–	–	–	–	1.7	1.7
Transfer relating to share-based payments	–	–	2.2	–	(4.4)	(2.2)
As at 1 January 2023	100.9	194.0	(42.7)	(0.7)	2.1	253.6
Other comprehensive income	–	–	–	0.8	–	0.8
Share buy back	0.6	–	–	–	–	0.6
Share-based payments	–	–	–	–	1.0	1.0
Transfer relating to share-based payments	–	–	0.1	–	(0.7)	(0.6)
As at 31 December 2023	101.5	194.0	(42.6)	0.1	2.4	255.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Company

	Capital redemption reserve $ million	Merger reserve $ million	Own shares $ million	Share-based payments $ million	Total $ million
As at 1 January 2022	100.3	137.1	(40.3)	5.3	202.4
Shares buy back	0.6	–	–	–	0.6
Share-based payments	–	–	–	1.7	1.7
Transfer relating to share-based payments	–	–	–	(5.0)	(5.0)
As at 1 January 2023	**100.9**	**137.1**	**(40.3)**	**2.0**	**199.7**
Share buy back	**0.6**	**–**	**–**	**–**	**0.6**
Share-based payments	**–**	**–**	**–**	**1.0**	**1.0**
Transfer relating to share-based payments	**–**	**–**	**–**	**(0.7)**	**(0.7)**
As at 31 December 2023	**101.5**	**137.1**	**(40.3)**	**2.3**	**200.6**

The Group's other reserves comprise reserves arising in respect of merger relief, upon the purchase of the Company's own shares held in treasury and held by the Pharos Employee Benefit Trust ('the Trust'), as well as hedging and share-based payments.

The number of treasury shares held by the Group and the number of shares held by the Trust at 31 December 2023 was 9,122,268 (2022: 9,122,268) and 2,126,857 (2022: 2,126,857) respectively. The market price of the shares at 31 December 2023 was £0.2130 (2022: £0.2330). The Trust, a discretionary trust, holds shares for the purpose of satisfying employee share schemes, details of which are set out in Note 31 and in the Directors' Remuneration Committee Report on pages 126 to 142.

The trustees purchase shares in the open market which are recognised by the Company within investments and classified as other reserves by the Group as described above. When award conditions are met, an unconditional transfer of shares is made out of the Trust to Plan participants. The Group has an obligation to make regular contributions to the Trust to enable it to meet its financing costs. Rights to dividends on the shares held by the Trust have been waived by the trustees.

29. Distribution to shareholders

Amounts recognised as distributions to equity holders in the year:	2023 $ million	2022 $ million
Final dividend for the year ended 31 December 2022 of 1.00 pence per share, paid in the year	5.6	–
Interim dividend for the year ended 31 December of 2023 of 0.33 pence per share, declared in year	1.7	–
	7.3	–
Proposed final dividend for the year ended 31 December 2023 of 0.77 pence per share	4.2	–

The proposed final dividend for the year ended 31 December 2023 of 0.77 pence per share takes the 2023 full-year dividend to 1.10 pence per share, in excess of the minimum 10% of Operating Cash Flow (OCF) per the Company's dividend policy.

The final dividend of 1.00 pence per ordinary share in respect of the year ended 31 December 2022 ($5.6m) was paid on 12 July 2023. The interim dividend of 0.33 pence per ordinary share was paid on 24 January 2024. The proposed final dividend of 0.77 pence per ordinary share in respect of the year ended 31 December 2023, subject to approval of shareholders at the Company's 2024 AGM in May, is payable on 19 July 2024 to all shareholders on the register at the close of business on 14 June 2024.

30. Retained (deficit) / earnings

	Group		
	Retained (loss)/profit $ million	Unrealised currency translation differences $ million	Total $ million
As at 1 January 2022	(44.1)	5.1	(39.0)
Profit for the year	24.4	–	24.4
Share buy back	(2.9)	–	(2.9)
Transfer relating to share-based payments	2.2	–	2.2
As at 1 January 2023	**(20.4)**	**5.1**	**(15.3)**
Loss for the year	**(48.8)**	**–**	**(48.8)**
Share buy back	**(2.8)**	**–**	**(2.8)**
Distributions to shareholders	**(7.3)**	**–**	**(7.3)**
Transfer relating to share-based payments	**0.6**	**–**	**0.6**
As at 31 December 2023	**(78.7)**	**5.1**	**(73.6)**

	Company		
	Retained (loss)/profit $ million	Unrealised currency translation differences $ million	Total $ million
As at 1 January 2022	234.7	(222.1)	12.6
Profit for the year	60.7	–	60.7
Share buy back	(2.9)	–	(2.9)
Transfer relating to share-based payments	2.3	–	2.3
As at 1 January 2023	**294.8**	**(222.1)**	**72.7**
Loss for the year	**(47.0)**	**–**	**(47.0)**
Share buy back	**(2.8)**	**–**	**(2.8)**
Distributions to shareholders	**(7.3)**	**–**	**(7.3)**
Transfer relating to share-based payments	**0.6**	**–**	**0.6**
As at 31 December 2023	**238.3**	**(222.1)**	**16.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31. Incentive plans

Details of the Group's employee incentive schemes are set out below. Additional information regarding the schemes is included in the Directors' Remuneration Committee Report on pages 126 to 142. The Group recognised total expenses of $1.3m (2022: $1.7m) in respect of the schemes during the year, a proportion of which was capitalised in accordance with the Group's accounting policies.

Long Term Incentive Plan

The Company operates a LTIP for employees of the Group. Awards vest over a period of three years, subject to criteria based on their individual performance. Awards are normally forfeited if the employee leaves the Group before the award vests. Awards normally expire at the end of ten years following the date of grant, subject to the requirement to exercise certain awards prior to 15 March of the year following vesting.

Awards would normally be part cash and part equity-settled through a transfer at nil consideration of the Company's ordinary shares. 267,779 awards were exercised during 2023 (2022: 392,779 shares exercised). The Company has no legal or constructive obligation to repurchase or settle awards in cash. Details of awards outstanding during the year are as follows:

	2023 No. of share awards	2022 No. of share awards
As at 1 January	**17,642,212**	18,985,754
Adjustments[1]	**882,124**	-
Granted	**7,347,221**	5,991,668
Exercised	**(267,779)**	(392,779)
Forfeited during the year	**(5,449,945)**	(6,942,431)
As at 31 December	**20,153,833**	17,642,212
Exercisable as at 31 December	**–**	–

1) In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2023.

Awards outstanding at the end of the year have a weighted average remaining contractual life of 1.4 years (2022: 1.4 years). The weighted average market price and estimated fair value of the 2023 grants (at grant date) were £0.23 and £0.17, respectively.

The fair value of the LTIPs granted during 2023 has been provided by a Remuneration Consultant, which estimates the Company's performance against the targets using a Stochastic and Black Scholes model. The future vesting proportion in 2023 was 77% (2022: 72%).

The main assumptions for the calculation are as follows:

	2023	2022
Volatility	**11.94%**	43.89%
Risk free rate of interest	**3.21%**	1.51%
Correlation with comparator group	**n/a**	n/a

Other Share Schemes

The Company operates a discretionary share option scheme for employees of the Group. Awards vest over a three-year period, and are normally forfeited if the employee leaves the Group before the option vests. Vested options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant and are expected to be equity-settled. The Company has no legal or constructive obligation to repurchase or settle options in cash. Unexercised options expire at the end of a ten-year period.

Other than to Directors, the Company can also grant options with a zero exercise price or with an exercise price which is set below the market price of the Company's shares on the date of grant. Such options, which are included in the table below, are granted by reference to the rules of the discretionary share option scheme and are expected to be equity-settled.

The Company can additionally grant awards under the Deferred Share Bonus Plan with a zero exercise price or with an exercise price which is set below the market price of the Company's shares on the date of grant. Awards vest over a two-year period, and are normally forfeited if the employee leaves the Group before the option vests. Such awards, which are also included in the table below, are expected to be cash-settled.

	2023		2022	
	No. of share awards	Weighted average exercise price £	No. of share awards	Weighted average exercise price £
As at 1 January	2,886,857	0.40	2,618,182	0.43
Adjustments[1]	148,069	–	–	–
Granted	1,875,448	–	2,273,685	–
Forfeited during the year	(50,000)	–	(570,967)	–
Exercised	–	–	(1,434,043)	0.33
As at 31 December	4,860,374	0.34	2,886,857	0.40
Exercisable as at 31 December	578,172	0.41	578,172	0.41

1) In accordance with Share Scheme rules, adjustments were made for the payment of dividends in 2023.

There were no share options exercised during 2023 (the weighted average market price at the date of exercise during 2022 was £0.25). Awards outstanding at the end of the year have a weighted average remaining contractual life of 8 years (2022: 6.5 years).

The fair value of the awards granted during 2023 and 2022 have been estimated using Black Scholes model, based on the market price at date of grant and a nil exercise price. The main assumptions for the calculation are as follows:

	2023	2022
Volatility	n/a	n/a

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

	Group		Company	
	2023 $ million	2022 $ million	2023 $ million	2022 $ million
Operating (loss)/profit	(18.1)	100.2	(58.6)	44.2
Share-based payments	0.9	1.3	0.9	1.3
Depletion, depreciation and amortisation	55.6	55.2	–	–
Impairment charge/(reversal)	65.4	(27.9)	49.4	(53.9)
Operating cash flows before movements in working capital	103.8	128.8	(8.3)	(8.4)
Decrease/(increase) in inventories	3.9	(0.9)	–	–
(Increase)/decrease in receivables[1]	(19.1)	(7.7)	(0.2)	1.2
Increase/(decrease) in payables	0.2	(9.5)	0.1	(1.8)
Cash generated by (used in) operations	88.8	110.7	(8.4)	(9.0)
Interest received	0.4	0.1	0.3	0.1
Other/restructuring expense outflow	–	(2.7)	–	(2.7)
Income taxes paid	(44.3)	(54.7)	–	–
Net cash from (used in) operating activities	44.9	53.4	(8.1)	(11.6)

1) Includes $2.2m (2022: $1.5m) increase in risk factor provision in respect of Egypt trade receivables.

During the year a total of $3.2m of trade receivables due from EGPC in Egypt were settled by way of non-cash offset, out of which $2.2m relates to a second instalment of assignment bonus due to EGPC in relation to the IPR Farm out, $0.5m relates to a bonus due to EGPC for the NBS development lease and $0.5m relates to training bonuses and fees paid to EGPC for participation in a bid round process.

During 2022, a total of $4.6m of trade receivables due from EGPC in Egypt were settled by way of non-cash offset, out of which $1.0m relates to 3rd Amendment signature bonus, $1.1m was set against trade payables, $2.0m Assignment bonus settled on behalf of the Farm out partner, IPR, and $0.5m Group's share of NBS Concession assignment bonus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

33. Lease arrangements

For short-term leases (lease term less than 12 months) and leases for which the underlying asset is of low value, the Group has opted to recognise a lease expense on a straight-line basis as permitted under IFRS 16.

	2023 $ million	2022 $ million
Lease liability recognised as at 1 January	**0.8**	–
New leases	**–**	0.9
Interest expense	**–**	–
Principal repayments	**(0.3)**	(0.1)
Lease liability recognised as at 31 December	**0.5**	0.8
Of which are:		
Current lease liabilities	**0.3**	0.3
Non-current lease liabilities	**0.2**	0.5

Right-of-use assets recognised as at 1 January	**0.8**	–
New leases	**–**	0.9
Depreciation	**(0.3)**	(0.1)
Right-of-use assets recognised as at 31 December	**0.5**	0.8
Of which are:		
Oil & Gas properties	**0.5**	0.8

During 2022, Pharos signed a new agreement for rental of gas generators in Egypt, the agreement is effective from August 2022 to October 2025 and is accounted for as a lease under IFRS 16. Pharos 45% share of the asset and liability which is applicable post completion of the Farm out (21 March 2022) has been recognised accordingly. The lease was measured at the present value of the lease payments, discounted using the incremental borrowing rate at the start of the lease, 6.3%.

The following table presents the amounts reported in the income statement for short-term leases:

Operating lease expenses by segment	2023 $ million	2022 $ million
SE Asia	**10.1**	13.1
Egypt	**1.4**	1.4
	11.5	14.5

At 31 December 2023, the Group is committed to its share of $10.8m (2022: $10.9m) for short-term leases of less than 12 months and accordingly not included in the above. Certain short-term leases contain discretionary options to extend the lease period. These future periods are only included in the assessment of the lease term only after consideration of the economic incentives and if it is reasonably certain that the option will be exercised.

34. Capital commitments

At 31 December 2023, the Group had exploration licence commitments not accrued of approximately $26.3m (2022: $26.6m), out of which $5.1m related to NBS was already incurred and currently awaiting approval from EGPC.

35. Related party transactions

During 2022, the Company recorded a net cost of $0.01m in respect of services rendered between Group companies.

Remuneration of key management personnel

The remuneration of the Directors of the Company, who are considered to be its key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Committee Report on pages 128 to 134.

	2023 $ million	2022 $ million
Short-term employee benefits	**2.7**	3.0
Post-employment benefits	**0.1**	0.1
Share-based payments	**1.8**	1.0
	4.6	4.1

36. Financial instruments

Financial Risk Management: Objectives and Policies

The main risks arising from the Group's financial instruments are commodity price risk, liquidity risk, credit risk, foreign currency risk, interest rate risk and capital risk management. The Board of Pharos regularly reviews and agrees policies for managing financial risks that may affect the Group. In certain cases, the Board delegates responsibility for such reviews and policy setting to the Audit Risk Committee. The management of these risks is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed while ensuring that the Company and the Group have adequate liquidity at all times in order to meet their immediate cash requirements. There are no significant concentrations of risks unless otherwise stated. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The primary financial assets and liabilities comprise cash, short- and medium-term deposits, money market liquidity funds, intra group loans, trade receivables and other receivables and financial liabilities held at amortised cost. The Group's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives such as equity issues are reviewed by the Board, when appropriate.

Commodity Price Risk

Commodity price risk arises principally from the Group's Vietnam and Egypt production, which could adversely affect revenue and debt availability due to changes in commodity prices. To reduce risk from Vietnam production, in 2023 the Company and its partners signed a three year sales contract for all TGT oil cargoes with BSR to cover the period 1 January 2024 to 7 December 2026. The premium on Brent for the Term Sales Period will continue to be agreed every six months, which provides the Group with significant downside price protection for production from our largest Vietnam field, and protects margins through eliminating export duty and additional transportation costs to overseas customers.

The Group measures commodity price risk through an analysis of the potential impact of changing commodity prices. Based on this analysis and considering materiality and the potential business impact, the Group may choose to hedge.

During 2023, Pharos entered into different zero cost collar hedges to protect the Brent component of forecast oil sales and to ensure future compliance with its obligations under the RBL over the producing assets in Vietnam. The current commodity hedges run until June 2025 and are settled monthly. Details of current hedging arrangements and the categorisation of the instruments in the fair value hierarchy can be found in Note 25.

Transacted derivatives are designated as cash flow hedge relationships to minimise accounting income statement volatility. The Group is required to assess the likely effectiveness of any proposed cash flow hedging relationship and demonstrate that the hedging relationship is expected to be highly effective prior to entering into a hedging instrument and at subsequent reporting dates.

Liquidity Risk

Pharos closely monitors and manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt and equity financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in asset production profiles and cost schedules.

Details of the Group's borrowings and debt facilities can be found in Note 24. The Group is subject to half-yearly forecast liquidity tests as part of the redetermination process for the RBL facility agreement. The Group has complied with the liquidity requirements of this test at all times during the year.

The Group invests cash in a combination of money market liquidity funds and term deposits with a number of international and UK financial institutions, ensuring sufficient liquidity to enable the Group to meet its short and medium-term expenditure requirements. This includes funding total shareholder returns in the form of dividends and share buy backs, which totalled $8.4m in the year (2022: $2.9m). A further interim dividend of $1.7m (2022: $nil) was paid in January 2024 and the intention is to commence a further $3m share buy back programme in 2024. The Group ensures that cash forecasts and sensitivity analyses are robust to meet these funding requirements. Further information can be found in Note 27 and Note 29.

Credit Risk

Credit risk arises from cash and cash equivalents, investments with banks and financial institutions, trade and other receivables and joint operation receivables.

Customers and joint operation partners are subject to a risk assessment using publicly available information and credit reference agencies, with follow-up due diligence and monitoring if required.

Investment credit risk for investments with banks and other financial institutions is managed by the Group Treasury function in accordance with the Board-approved policies of the Group. These policies limit counterparty exposure, maturity, collateral and take account of published ratings, market measures and other market information.

The Company's policy is to invest with banks or other financial institutions that, firstly, offer the greatest degree of security in the view of the Group and, secondly, the most competitive interest rates. The Board continually re-assesses the Group's policy and updates as required.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The Group's trade receivables in Note 20, although 100% (2022: 99%) concentrated with two customers across both Vietnam and Egypt producing assets, are predominantly with a major oil & gas company and the subsidiary of a government regulated entity. The credit default risk is therefore deemed to be low and there is no history of default, despite the payment delays from EGPC and significant devaluation of the Egyptian Pound against US Dollar discussed in the following section.

Foreign Currency Risk

Pharos manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. The Group does not hedge any foreign exchange exposure.

The Group also aims where possible to hold surplus cash, debt and working capital balances in the functional currency of the subsidiary, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Group's Balance Sheet. Oil and gas sales in Vietnam are raised and settled through a combination of Vietnamese Dong (VND) and US Dollars (USD), along with associated tax and royalty payments. The Group holds a number of VND and USD bank accounts that provide a natural hedge against foreign exchange movements.

In the Egypt business, macroeconomic volatility has seen both a significant devaluation of the Egyptian Pound and continued restrictions on outgoing US Dollar transfers by the Central Bank of Egypt. The Company has opted not to accept the payment of trade receivables balance in Egyptian Pounds unless required for operations. The progressive devaluation of EGP against USD means that it is preferable to continue to hold USD denominated receivables. As a result, Pharos' receivables have increased to $33.4m at 31 December 2023, after expected credit loss provision of $4.0m (2022: $24.2m receivables after credit loss provision of $1.8m).

Considering the expected significant devaluation, Pharos considers it preferable to continue holding USD-denominated receivables and accept part-payments of its receivables balance in EGP only when local currency will be needed for the funding of operations at the end of the IPR carry period, which is expected to end in April 2024. Positive announcements by the Egyptian Government highlighted in the CFO Statement, combined with the Company reaching agreement with the operator of the Egypt concessions, IPR, to pay a significant proportion of post-carry cash calls in EGP, means that the Group is optimistic that its receivables position and liquidity will improve significantly during 2024.

The Group's UK head office contributes the majority of administrative costs which are denominated in GBP. The level of monetary working capital balances denominated in GBP is relatively low and therefore the Group's exposure to foreign currency changes for all currencies is not considered to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Interest Rate Risk

The replacement of benchmark interest rates such as LIBOR and other IBORs has been a priority for global regulators. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission regarding the transition away from LIBOR (including GBP LIBOR and USD LIBOR). The Company's principal borrowings, in the form of the RBL loan and the NBE Uncommitted Revolving Credit facility, both switched from USD LIBOR to SOFR plus CAS interest rates from 1 July 2023. In addition, the ongoing global high-inflationary economic environment means that interest rates could potentially rise in the short to medium-term, thus increasing the cost of borrowing.

As at 31 December 2023, Pharos had total borrowings of $40.5m (2022: $74.2m) as described in Note 24. If interest rates increased by 100 basis points, assuming the principal loans stayed constant, the annualised interest payable by the company would increase by $0.9m (2022: $0.8m) which would translate through to profits and net assets. The Group's interest received on cash and cash equivalents is immaterial.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balances. To this extent, following a period of improved commodity prices, the Group has committed to shareholder returns in the form of both share buybacks and dividends to shareholders. The Group's overall strategy remains unchanged from 2022.

The capital structure of the Group consists of net debt (cash and borrowings disclosed in Note 20 and 24, respectively) and equity (comprising issued share capital, reserves and retained earnings as disclosed in notes 27 to 28). Management reviews the capital structure on a semi-annual basis, and most of the capital expenditure incurred is discretionary. The Group is not subject to any externally imposed capital requirements and is aiming to be in a net cash financial position during 2024.

Please see Non-IFRS Measures (Unaudited) for net debt and gearing ratios as at 31 December 2023 and 31 December 2022.

37. Disposal of 55% interest in Egypt Concessions and fair value movement

Following the completion of the farm-out transaction of Egyptian assets to IPR, the accounting for the assets reflect the following:

The economic date of the transaction was 1 July 2020, with completion on 21 March 2022.

Pharos owned and managed the business up to completion. On completion, an adjustment to compensate for net cash flows since the economic date has been adjusted for in the level of carry to be provided by IPR to Pharos.

In the Financial Statements, for the period post completion, Pharos 45% share of field costs – capex, opex and G&A – are accounted for as incurred by Pharos, although all such costs are paid by IPR and set off against the carry.

All revenues earned are paid direct to Pharos.

The firm consideration was received in two tranches, $2.0m in September 2021 and $3.0m on 30 March 2022.

The carry of $35.9m is disproportionate funding contribution from IPR adjusted for working capital and interim period adjustments from the effective economic date of 1 July 2020 and completion date.

Disposal of asset held for sale:	2022 $ million
Intangible assets	(2.3)
Property, plant and equipment	(54.4)
Inventories	(5.9)
Trade and other receivables	(2.3)
Trade and other payables	8.3
Disposal of 55% of El Fayum and NBS	**(56.6)**
Firm consideration received - IPR Cash Receipts	5.0
Other receivable – Carry	36.3
Other receivable - contingent consideration	13.6
Other receivable with IPR	0.5
Consideration received and to be received	**55.4**
Assignment fees payable to EGPC	**(3.7)**
Success fees paid on completion	**(1.7)**
Loss on disposal	**(6.6)**

$0.4m reduction in the amount classified as the carry element from $36.3m to $35.9m following a change in the best estimate of the adjustment relating to the interim period between the economic date of 1 July 2020 and the completion date was charged to the income statement as part of "Other/restructuring expense" during 2023.

The fair value movement of $0.3m was charged to the income statement during 2023. This is due to $0.4m revision of the contingent consideration, partially offset by $0.1m reduction in contingent liability (assignment fee). The fair value movement of $0.3m relating to revision of the contingent consideration and credited to the income statement during 2022 was reclassified from "Loss on disposal" to "(Loss)/Gain on fair value movement of financial asset" to be consistent with 2023 presentation.

38. Subsequent events

EGPC Trade Receivables

On 26 March 2024, following announcements from the Egyptian government of increased liquidity in-country, the Group received notification from EGPC that $10.0m will be paid as partial settlement of outstanding trade receivables following payment delays through 2023. The funds will clear on 27 March 2024, according to the swift confirmation received.

Non-IFRS Measures (Unaudited)

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, free cash flow 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.

	2023 $ million	2022 $ million
Cost of sales	**111.2**	116.8
Less:		
Depreciation, depletion and amortisation	**(55.4)**	(55.1)
Production based taxes	**(10.5)**	(14.7)
Export duty	**–**	(3.2)
Inventories	**(4.0)**	1.8
Trade receivable risk factor provision	**(2.2)**	(1.5)
Other cost of sales	**(1.8)**	(1.3)
Cash operating costs	**37.3**	42.8
Production (BOEPD)	**6,508**	7,166
Cash operating cost per BOE ($)	**15.70**	16.36

Cash operating cost per barrel by segment (2023)

	Vietnam $ million	Egypt $ million	Total $ million
Cost of sales	95.6	15.6	**111.2**
Depreciation, depletion and amortisation	(51.0)	(4.4)	**(55.4)**
Production based taxes	(10.4)	(0.1)	**(10.5)**
Inventories	(3.9)	(0.1)	**(4.0)**
Trade receivable risk factor provision	–	(2.2)	**(2.2)**
Other cost of sales	(1.5)	(0.3)	**(1.8)**
Cash operating costs	28.8	8.5	**37.3**
Production (BOEPD)	5,127	1,381	**6,508**
Cash operating cost per BOE ($)	15.39	16.86	**15.70**

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.

	2023 $ million	2022 $ million
Depreciation, depletion and amortisation	**(55.4)**	(55.1)
Production (BOEPD)	**6,508**	7,166
DD&A per BOE ($)	**23.32**	21.07

DD&A per barrel by segment (2023)

	Vietnam $ million	Egypt $ million	Total $ million
Depreciation, depletion and amortisation	(51.0)	(4.4)	**(55.4)**
Production (BOEPD)	5,127	1,381	**6,508**
DD&A per BOE ($)	27.25	8.73	**23.32**

Net debt

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

	2023 $ million	2022 $ million
Cash and cash equivalents	**32.6**	45.3
Borrowings*	**(39.2)**	(74.2)
Net Debt	**(6.6)**	(28.9)

* Exclude unamortised capitalised set up costs

NON-IFRS MEASURES (UNAUDITED) - continued

EBITDAX

EBITDAX is earnings from continuing activities before interest, tax, DD&A, impairment charge/(reversal) of PP&E and intangibles, exploration expenditure including pre-licence costs and Other/ restructuring expense items in the current year.

	2023 $ million	2022 $ million
Operating (loss)/profit	**(18.1)**	100.2
Depreciation, depletion and amortisation	**55.6**	55.2
Pre-licence costs	**0.4**	–
Impairment charge/(reversal)	**65.4**	(27.9)
EBITDAX	**103.3**	127.5

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.

	2023 $ million	2022 $ million
Net Debt	**(6.6)**	(28.9)
EBITDAX	**103.3**	127.5
Net Debt/EBITDAX	**(0.06)**	(0.23)

Gearing

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

	2023 $ million	2022 $ million
Total Debt *	**39.2**	74.2
Total Equity	**273.5**	330.6
Debt to Equity	**0.14**	0.22

* Exclude unamortised capitalised set up costs

Free cash flow

Free cash flow is calculated by subtracting capital cash expenditure from net cash from operating activities.

	2023 $ million	2022 $ million
Net cash from operating activities	**44.9**	53.4
Capital cash expenditure	**(26.7)**	(31.9)
Free cash flow	**18.2**	21.5

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.

	2023 $ million	2022 $ million
Net cash from operating activities	**44.9**	53.4
Weighted number of shares in the year	**427,170,044**	439,253,641
Operating cash per share	**0.11**	0.12

Five Year Summary (Unaudited)

	Year to 31 Dec 2023 $ million	Year to 31 Dec 2022 $ million	Year to 31 Dec 2021 $ million	Year to 31 Dec 2020 $ million	Year to 31 Dec 2019 $ million
Consolidated income statement					
Oil and gas revenues	**168.1**	221.6	163.8	118.3	189.9
Commodity hedge (losses)/gains	**(0.2)**	(22.5)	(29.7)	23.7	(0.2)
Gross profit	**56.7**	82.3	19.5	18.2	61.1
Operating profit/(loss)	**(18.1)**	100.2	48.3	(231.3)	38.0
Profit/(loss) for the year	**(48.8)**	24.4	(4.7)	(215.8)	(24.5)

	2023 $ million	2022 $ million	2021 $ million	2020 $ million	2019 $ million
Consolidated balance sheet					
Non-current assets	**356.6**	457.4	460.3	483.2	740.9
Net current assets	**50.6**	56.4	51.6	10.4	45.6
Non-current liabilities	**(133.7)**	(183.2)	(207.5)	(199.9)	(276.4)
Net assets	**273.5**	330.6	304.4	293.7	510.1
Share capital	**91.7**	92.3	92.9	87.3	87.3
Other reserves	**255.4**	253.6	250.5	243.0	246.6
Retained earnings/(deficit)	**(73.6)**	(15.3)	(39.0)	(36.6)	176.2
Total equity	**273.5**	330.6	304.4	293.7	510.1

	Year to 31 Dec 2023 $ million	Year to 31 Dec 2022 $ million	Year to 31 Dec 2021 $ million	Year to 31 Dec 2020 $ million	Year to 31 Dec 2019 $ million
Consolidated cash flow statement					
Net cash from operating activities	**44.9**	53.4	10.8	56.4	72.3
Capital expenditure	**26.7**	31.9	41.8	41.3	63.4
Distributions	**5.6**	–	–	--	27.4

RESERVES STATISTICS (UNAUDITED)

Reserves Statistics (Unaudited)

Net working interest, MMBOE

	TGT	CNV	Vietnam[3]	El Fayum	NBS	Egypt[4]	Group
Oil and Gas 2P Commercial Reserves[1,2]							
As at 1 January 2023	8.8	3.4	12.2	15.0	–	15.0	27.2
Production	(1.3)	(0.5)	(1.8)	(0.5)	–	(0.5)	(2.3)
Revision	(1.2)	(0.1)	(1.3)	(0.9)	–	(0.9)	(2.2)
Discoveries	–	–	–	–	0.8	0.8	0.8
2P Commercial Reserves as at 31 December 2023	**6.3**	**2.8**	**9.1**	**13.6**	**0.8**	**14.4**	**23.5**
Oil and Gas 2C Contingent Resources[1,2]							
As at 1 January 2023	7.4	3.4	10.8	8.9	–	8.9	19.7
Revision	(1.1)	2.2	1.1	0.7	–	0.7	1.8
2C Contingent Resources as at 31 December 2023	**6.3**	**5.6**	**11.9**	**9.6**	**–**	**9.6**	**21.5**
Total of 2P Reserves and 2C Contingent Resources as at 31 December 2023	**12.6**	**8.4**	**21.0**	**23.2**	**0.8**	**24.0**	**45.0**

1) Reserves and Contingent Resources are categorised in line with 2018 SPE standards.
2) Assumes oil equivalent conversion factor of 6,000 scf/boe.
3) Reserves and Contingent Resources have been independently audited by RISC Advisory Pty Ltd.
4) Reserves and Contingent Resources have been independently audited by McDaniel.

Risks associated with reserves evaluation and estimation uncertainty are discussed in Note 4(b) to the Financial Statements.

Report on Payments to Governments (Unaudited)

Disclosure

In accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 4.3A in respect of payments made by the Company to governments for the year ended 31 December 2023 and in compliance with The Reports on Payments to Governments Regulations 2014 (SI 2014/3209), Pharos presents its disclosure for the year ending 31 December 2023.

Basis for preparation

Legislation

This report is prepared in accordance with the Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

The Reports on Payments to Government Regulations (UK Regulations) were enacted on 1 December 2014 and require UK companies in extractive industries to publicly disclose payments they have made to Governments where they undertake extractive operations. The aim of the regulations is to enhance the transparency of the payments made by companies in the extractive sector to host governments in the form of taxes, bonuses, royalties, fees and support for infrastructure improvements. The UK Regulations came into effect on 1 January 2015.

The payments disclosed for 2023 are in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosures on payroll taxes, export duty, withholding tax and other taxes.

In line with the UK Regulations, a payment of a series of related payments which do not exceed $106,941 (£86,000) has not been disclosed. Where the aggregate payments made in the period for a project or country are less than $106,941, payments are not disclosed for the project or country.

All of the payments disclosed in accordance with the EU Directive have been made to National Governments, either directly or through a Ministry or Department, or to a national oil company, who have a working interest in a particular licence.

Payment

The information is reported under the following payment types:

Production entitlements in barrels

These are the host government's total share of production in the reporting period derived from projects operated by Pharos. This includes the government's non-cash royalties as a sovereign entity or through its participation as an equity or interest holder in projects within its home country. The figures produced are on a paid lifting basis valued at realised sale prices.

Income Taxes

This represents cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties. Consumption taxes including value added taxes, personal income taxes, sales taxes and property taxes are excluded.

Royalties

These represent royalties during the year to governments for the right to extract oil or gas. The terms of these royalties are set within the individual Production Sharing Contracts & Agreements and can vary from project to project within a country. The cash payment of royalties occurs in the year in which the tax has arisen.

Dividends

These are dividend payments, other than dividends paid to a government as an ordinary shareholder of an entity, in lieu of production entitlements or royalties. For the year ending 31 December 2023, there were no reportable dividend payments to governments.

Bonuses

This represents any bonus paid to governments during the year on achievement of commercial milestones such as signing of a petroleum agreement or contract, achieving commercial discovery, or after first production.

Licence Fees

This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments

This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a Production Sharing Contract or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

Payroll Taxes

This represents payroll and employer taxes including PAYE and national insurance paid by Pharos as a direct employer.

Export Duty

This represents payments made to governments during the year in relation to the exportation of petroleum products.

Withholding Tax

This represents the amount of tax deducted at source from third party service providers during the year and paid to respective governments.

Other Taxes

This represents business rates paid during the year on non-domestic properties.

TRANSPARENCY DISCLOSURE 2023 (UNAUDITED)

Transparency Disclosure 2023 (Unaudited)

	UK Regulations									Voluntary Disclosure				
	Production entitlements	Production entitlements	Income Taxes	Royalties	Dividends	Bonus Payments	Licence fees	Infrastructure improvement payments	Total EU Transparency Directive	Payroll Taxes	Export Duty	With-holding Tax	Other Taxes	Total
Licence/ Corporate/ Area	bbls (000)	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Vietnam*														
Block 16-1	883	73,971	31,961	8,889	–	–	78	–	114,899	–	–	–	–	–
Block 9-2	557	36,814	12,541	2,130	–	–	75	–	51,560	–	–	–	–	–
Total Vietnam	**1,440**	**110,785**	**44,502**	**11,019**	**–**	**–**	**153**	**–**	**166,459**	**–**	**–**	**–**	**–**	**–**
Egypt														
El Fayum	233	18,228	–	–	–	–	–	–	18,228	194	–	4	11	209
North Beni Suef	2	150	–	–	–	–	495	–	645	–	–	–	–	–
WES	–	–	–	–	–	–	178	–	178	–	–	–	–	–
Total Egypt	**235**	**18,378**	**–**	**–**	**–**	**–**	**673**	**–**	**19,051**	**194**	**–**	**4**	**11**	**209**
United Kingdom (UK)														
Corporate	–	–	–	–	–	–	–	–	–	2,064	–	–	–	2,064
Total UK	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,064**	**–**	**–**	**–**	**2,064**
United States of America (US)														
Corporate	–	–	–	–	–	–	–	–	–	193	–	–	–	193
Total US	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**193**	**–**	**–**	**–**	**193**
Pharos Total	**1,675**	**129,163**	**44,502**	**11,019**	**–**	**–**	**826**	**–**	**185,510**	**2,451**	**–**	**4**	**11**	**2,466**

	UK Regulations									Voluntary Disclosure				
	Production entitlements	Production entitlements	Income Taxes	Royalties	Dividends	Bonus Payments	Licence fees	Infrastructure improvement payments	Total	Payroll Taxes	Export Duty	With-holding Tax	Other Taxes	Total
Country/ Government	bbls (000)	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Vietnam*														
Ho Chi Minh City Tax Dept	–	–	44,502	11,019	–	–	–	–	55,521	–	–	–	–	–
Customs Office	–	–	–	–	–	–	–	–	–	–	–	–	–	–
PetroVietnam E&P Corp (PVEP)	1,440	110,785	–	–	–	–	153	–	110,938	–	–	–	–	–
Total Vietnam	**1,440**	**110,785**	**44,502**	**11,019**	**–**	**–**	**153**	**–**	**166,459**	**–**	**–**	**–**	**–**	**–**
Egypt														
Egyptian General Petroleum Corporation (EGPC)	235	18,378	–	–	–	–	673	–	19,051	–	–	–	–	–
Tax department	–	–	–	–	–	–	–	–	–	194	–	4	11	209
Total Egypt	**235**	**18,378**	**–**	**–**	**–**	**–**	**673**	**–**	**19,051**	**194**	**–**	**4**	**11**	**209**
United Kingdom (UK)														
Inland Revenue	–	–	–	–	–	–	–	–	–	2,064	–	–	–	2,064
Total UK	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,064**	**–**	**–**	**–**	**2,064**
United States of America (US)														
Internal Revenue Service	–	–	–	–	–	–	–	–	–	193	–	–	–	193
Total US	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**193**	**–**	**–**	**–**	**193**
Pharos Total	**1,675**	**129,163**	**44,502**	**11,019**	**–**	**–**	**826**	**–**	**185,510**	**2,451**	**–**	**4**	**11**	**2,466**

* Joint Operating Company Project's tax payments reported on Pharos Net Working Interest Basis.

Glossary of Terms

A

ABC
Anti-Bribery and Corruption

AGM
Annual General Meeting

B

bbl
Barrel

blpd
Barrels of liquids per day

BMS
Business Management System

Bn
Billion

boe
Barrels of oil equivalent

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

bwpd
Barrels of water per day

C

CASH or cash
Cash, cash equivalent and liquid investments

CAPEX or capex
Capital expenditure

CDP
Formerly the Carbon Disclosure Project

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CNV
Ca Ngu Vang field located in Block 9-2

CO_2
Carbon Dioxide

CO_2e
Carbon Dioxide Equivalent

Company or Pharos
Pharos Energy plc

Contingent Resources
Those quantities of petroleum to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies

Contractor
The party or parties identified as being, or forming part of, the "CONTRACTOR" as defined in the El Fayum Concession or, as the case may be, the North Beni Suef Concession

CR
Corporate Responsibility

D

DD&A
Depreciation, depletion and amortisation

DP Semi-Submersible
Dynamic positioning semi-submersible drilling rig

E

E&P
Exploration & Production

EBITDAX
Earnings from continuing activities before interest, tax, DD&A, impairment of PP&E and intangibles, exploration expenditure including pre-licence costs and other/restructuring expense items.

EBT
Employee benefit trust

E&E
Exploration and Evaluation

El Fayum or the El Fayum Concession
The concession agreement for petroleum exploration and exploitation entered into on 15 July 2004 between the Arab Republic of Egypt, EGPC and Pharos El Fayum in respect of the El Fayum area, Western Desert, as amended from time to time

EGP
Egyptian Pound

EGPC
Egyptian General Petroleum Corporation

EU
European Union

F

FFDP
Full Field Development Plan

Financial Statements
The preliminary financial statements of the Company and the Group for the year ended 31 December 2023

FPSO
Floating, Production, Storage and Offloading Vessel

FRC
Financial Reporting Council

FY
Full year

G

G&A
General and administration

GDP
Gross domestic product

GHG
Greenhouse gas

Group
Pharos and its direct and indirect subsidiary undertakings

H

HLHVJOC
Hoang Long and Hoan Vu Joint Operating Companies

HLJOC
Hoang Long Joint Operating Company

HSES
Health, Safety, Environmental and Social

HVJOC
Hoan Vu Joint Operating Company

I

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

IMF
International Monetary Fund

IOGP
The International Association of Oil & Gas Producers

IPIECA
The global oil and gas industry association for environmental and social issues

IPR or IPR Energy Group
The IPR Energy group of companies, including IPR Lake Qarun and IPR Energy AG, or such of them as the context may require

IPR Lake Qarun
IPR Lake Qarun Petroleum Co, an exempted company with limited liability organised and existing under the laws of the Cayman Islands (registration number 379306), a wholly owned subsidiary of IPR Energy AG

J

JOC
Joint Operating Company

JV
Joint venture

GLOSSARY OF TERMS - continued

K

k
thousands

kbopd
Thousand barrels of oil per day

Km
Kilometre

km²
Square kilometre

L

LTI
Lost Time Injury

LTIF
Lost Time Injury Frequency

LTIP
Long Term Incentive Plan

M

m
million

M&A
Mergers and Acquisitions

McDaniel
McDaniel & Associates Consultants Ltd

MENA
Middle East and North Africa region

Merlon
Merlon El Fayum Company subsequently name changed to Pharos El Fayum

mmbbl
Million barrels

mmboe
Million barrels of oil equivalent

N

NAV
Net asset value

NBE
The National Bank of Egypt, the largest Egyptian commercial bank and owned by the state of Egypt

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

O

OCF
Operating cash flow

OOIP
Original Oil in Place

OPECO Vietnam
OPECO Vietnam Limited

Opex
Operational expenditure

P

PEF
Pharos El Fayum, a wholly owned subsidiary of the Company holding the Group's participating interest in El Fayum and North Beni Suef

Petrosilah
An Egyptian joint stock company held 50/50 between the Pharos Group and the Egyptian General Petroleum Corporation

PSC
Production sharing contract or production sharing agreement

Petrovietnam
Vietnam Oil and Gas Group

PP&E
Property, plant and equipment

Prospect or prospect
An identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A prospect generally is mature enough to be considered for drilling

PTTEP
PTT Exploration and Production Public Company Limited

R

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

RBL
Reserve Based Lending facility

RISC
RISC Advisory Pty Ltd

S

Shares
Ordinary Shares

STOIIP
Stock Tank Oil Initially In Place

T

TOR
Terms of Reference

TCFD
Task-Force for Climate-related Financial Disclosures

TGT
Te Giac Trang field located in Block 16-1

TSR
Total shareholder return

TIA
Tie-in Agreement

U

UK
United Kingdom

US
United States of America

W

WHP
Wellhead Platform

Y

YTD
Year-to-date

$
United States Dollar

£
UK Pound Sterling

1C
Low estimate scenario of Contingent Resources

1H
First half

1P
Equivalent to Proved Reserves; denotes low estimate scenario of Reserves

2C
Best estimate scenario of Contingent Resources

2C Contingent Resources
Best estimate scenario of Contingent Resources

2P Reserves
Equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves. Also referred to as 2P Commercial Reserves

Company Information

Registered office:

Pharos Energy

27/28 Eastcastle Street, London,
W1W 8DH United Kingdom
Registered in England
T +44 (0)20 7747 2000
Company No. 3300821
www.pharos.energy

Company Secretary

Tony Hunter

Financial Calendar

Group results for the year to 31 December are announced in March. The Annual General Meeting is held during the second quarter. Interim Results to 30 June are announced in September.

Auditors

Deloitte LLP

London, United Kingdom

Bankers:

J.P. Morgan Chase Bank

25 Bank Street, London, E14 5JP
United Kingdom

HSBC UK Bank plc

60 Queen Victoria Street, London,
EC4N 4TR United Kingdom

BNP Paribas

Singapore Branch
10 Collyer Quay
#33-01 Ocean Financial Center 049315
Singapore

Financial Adviser and Corporate Brokers:

Jefferies

100 Bishopsgate, London, EC2N 4JL
United Kingdom

Peel Hunt

100 Liverpool Street, London, EC2M 2AT
United Kingdom

Registrar:

Equiniti Limited

Aspect House
Spencer Road Lancing, BN99 6DA
United Kingdom

Designed and Produced by Presentation Graphics Design Ltd

Pharos Energy (Head Office)

Eastcastle House
27/28 Eastcastle Street
London
W1W 8DH
United Kingdom

Registered in England
Company No. 3300821

T +44 (0)20 7747 2000

www.pharos.energy