

22 March 2023

## Genel Energy plc

### Audited results for the year ended 31 December 2022

Genel Energy plc ('Genel' or 'the Company') announces its audited results for the year ended 31 December 2022.

#### Paul Weir, Chief Executive of Genel, said:

"Our production business generated record cash flow in 2022, building our significant financial resources and resulting in a net cash balance at the end of the year of over \$200 million. The Company now has an exceptional opportunity to deploy its financial resources carefully to add new assets and grow and diversify our production business in order to improve the resilience and extend the line of sight on the funding of our established dividend programme.

Our capital allocation decisions for 2023 and beyond will be centred around that material, sustainable and progressive dividend programme, while protecting and maintaining the strength of our balance sheet. Our core business remains robust, funding our dividend from free cash flow in the mid-term and there is significant potential still remaining in the portfolio. We have an extremely busy 18 months ahead that carries much potential, and we have a highly capable team in place that is fully focused on delivering on that potential."

#### Results summary (\$ million unless stated)

	<b>2022</b>	<b>2021</b>
Average Brent oil price (\$/bbl)	<b>101</b>	71
Production (bopd, working interest)	<b>30,150</b>	31,710
Revenue	<b>432.7</b>	334.9
EBITDAX <sup>1</sup>	<b>361.6</b>	275.1
Depreciation and amortisation	<b>(149.2)</b>	(172.8)
Exploration expense	<b>(1.0)</b>	-
Net impairment/write-off of oil and gas assets	<b>(201.3)</b>	(403.2)
Net reversal of impairment of receivables	<b>8.2</b>	24.1
Operating profit / (loss)	<b>18.3</b>	(276.8)
Cash flow from operating activities	<b>412.4</b>	228.1
Capital expenditure	<b>143.1</b>	163.7
Free cash flow <sup>2</sup>	<b>234.8</b>	85.9
Cash	<b>494.6</b>	313.7
Total debt	<b>274.0</b>	280.0
Net cash <sup>3</sup>	<b>228.0</b>	43.9
Basic LPS (¢ per share)	<b>(2.6)</b>	(111.4)
EPS excluding impairments <sup>4</sup>	<b>66.7</b>	25.8
Dividends declared relating to financial year (¢ per share)	<b>18</b>	18

1. EBITDAX is operating profit / (loss) adjusted for the add back of depreciation and amortisation, impairment/write-off of oil and gas assets and net reversal of impairment of receivables
2. Free cash flow is reconciled on page 10
3. Reported cash less IFRS debt (page 10)
4. EPS excluding impairment is loss and total comprehensive expense adjusted for the add back of net impairment/write-off of oil and gas assets and net reversal of impairment of receivables divided by weighted average number of ordinary shares

## Highlights

- Zero lost time incidents in 2022, with over three million hours now worked since the last incident
- Another year of active drilling on the Tawke PSC and consistent reservoir performance resulted in average daily working interest production of 30,150 bopd (2021: 31,710 bopd)
- Record free cash flow in 2022
  - High oil price and recovery of receivables helped drive free cash flow of \$235 million (2021: \$86 million)
  - Investment in production and appraisal at Sarta resulted in capital expenditure of \$143 million (2021: \$164 million)
- Disappointing results at Sarta resulted in a reduction in reserves and an impairment of \$126 million, with expiry of the Qara Dagh licence resulting in a write off of \$78 million
- Strong balance sheet provides opportunity to acquire and develop new assets
  - Significantly increased financial resources of \$495 million (\$314 million at 31 December 2021)
  - Net cash under IFRS of \$228 million at 31 December 2022 (\$44 million at 31 December 2021)
  - Total debt of \$274 million at 31 December 2022 (\$280 million at 31 December 2021)
- Committed material, sustainable, and progressive dividend programme well established
  - Dividends paid in 2022 increased by 13% to 18¢ per share (2021: 16¢ per share) a total distribution of \$50 million
- Carbon intensity of 17.6 kgCO<sub>2</sub>e/bbl for Scope 1 and 2 emissions in 2022 (2021: 16 kgCO<sub>2</sub>e/bbl), below the global oil and gas industry average of 19 kgCO<sub>2</sub>e/boe

## Outlook

- Committed dividend funded by free cash flow for medium-term
  - The Board is recommending a final dividend of 12¢ per share (2022: 12¢ per share), a distribution of \$33.5 million
- Established dividend programme frames business and capital allocation decisions:
  - Production guidance unchanged at 27-29,000 bopd
  - 2023 capital expenditure expected to be between \$100 million and \$125 million
  - Progress towards drilling a well in Somaliland
  - Genel continues to actively screen and work up opportunities to invest our cash to extend the line of sight on resilient cash flows that support our dividend programme into the long-term
- Genel continues to invest in the host communities in which we operate, aiming to invest in those areas in which we can make a material difference to society
- The London-seated international arbitration regarding Genel's claim for substantial compensation from the KRG following the termination of the Miran and Bina Bawi PSCs is progressing. The trial is scheduled for February 2024

## Enquiries:

### Genel Energy

Andrew Benbow, Head of Communications

+44 20 7659 5100

### Vigo Consulting

Patrick d'Ancona

+44 20 7390 0230

Genel will host a live presentation on the Investor Meet Company platform on Wednesday 22 March at 1000 GMT. The presentation is open to all existing and potential shareholders. Questions can be submitted at any time during the live presentation. Investors can sign up to Investor Meet Company for free and add to meet Genel Energy PLC via: <https://www.investormeetcompany.com/genel-energy-plc/register-investor>.

*This announcement includes inside information.*

### Disclaimer

*This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. Whilst the Company believes the expectations reflected*

*herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward looking statements.*

## **CEO STATEMENT**

In the past six months we have simplified and refined our strategic priorities and put the funding of our established dividend programme at the heart of our business model. This is the lens through which we assess capital allocation decisions.

Building and managing a portfolio to support the dividend over the long-term is our clear focus. That work requires both judicious management of our existing opportunities already within the business, together with the objective of adding new assets that expand and diversify our asset base and, importantly, improve both the cash generation of the business and the resulting investor returns.

We have a very strong balance sheet with \$495 million of cash, net cash of \$228 million, at the end of 2022 and no debt maturity until 2025. We have achieved this position through a combination of factors. Disciplined capital allocation combined with excellent Tawke production results, recovery of old debts and, of course, the high oil price in 2022 have all resulted in exceptional cash generation for Genel, despite only receiving 10 payments from the Kurdistan Regional Government.

We had hoped that the Sarta development would have been a major contributor to our cash generation, but appraisal well results in 2022 were disappointing. Further investment will only take place now if we can be confident of positive returns and profitability, consistent with our focus on cost control and carefully considered expenditure.

### **A clear focus**

The business is now determined to add new revenue streams that build a stronger business and replace the cash generation in 2022 that came from historic debts owed by the KRG.

We have an established dividend programme that, following approval of the proposed final dividend for 2022, will have returned over \$200 million to shareholders since 2019. Delivering on this dividend programme while increasing the value of the business is our primary objective to deliver long-term shareholder returns, and the business is progressing with a real clarity of purpose.

A strong balance sheet, including liquidity of almost half a billion dollars, provides us with a tremendous opportunity. We are determined to use it in order to add shareholder value through strong operational delivery and properly considered investment.

We also continue to work diligently towards arbitration regarding our claim for substantial compensation from the KRG following the termination of the Miran and Bina Bawi PSCs, with the trial scheduled for February 2024.

### **Adding to our production business**

Growing our portfolio through the addition of the right assets is key. We have a highly competent and dedicated team in place assessing a great many opportunities in a disciplined and systematic manner. We only progress opportunities that deliver the right outcomes when subjected to multiple scenario analysis, that ultimately provide support for our dividend programme and at the same time maintain business resilience and balance sheet strength. Genel's significant cash position does not distract us from our focus on cost discipline and risk mitigation.

Genel has a robust production business and a free cash flow projection that covers dividend payments in the medium-term. Doing deals takes time and doing the right deal takes even longer, but we are confident in our ability to take advantage of the opportunities that are out there to deliver for our shareholders.

### **Organic reserves replacement opportunities**

As we continue to enhance the business, we are also progressing exciting opportunities within our existing portfolio. The Somaliland opportunity is frontier exploration, with all of the challenges that entails, but rare in terms of scale and potential. In a success case, there is a clear route to market through existing port facilities and this opens up the tantalising prospect of creating shareholder value in a region where our activities can also have a hugely positive impact on the surrounding society.

We are attempting to replicate the Somaliland farm-out success in Morocco, seeking a partner to drill a well in the Lagzira block, with high-graded material prospects. Both of these exploration opportunities support our aim of adding low-cost and large-scale assets to our portfolio to provide resilient, diversified, and value accretive cash generation that funds our dividend programme and offer catalysts to deliver shareholder value.

### **Making a positive difference**

As all of these opportunities unfold, Genel sees the need to have a positive impact in the areas where it is present as being an essential part of business success. In 2022 we marked 20 years of operations in KRI by launching a number of social initiatives, the centre of which was our Genel20 Scholars programme.

This was an appropriate way to mark our 20 years of operations in KRI, a period which has seen an entire industry develop, thousands of jobs created, and more than \$20 billion generated for the KRG. Our social activities in Somaliland will now begin to ramp up as our operational activities increase there and, as an Anglo-Turkish company, we are of course providing support following the horrendous impact of the recent earthquakes.

Our work on emissions continues and we are very pleased that our emissions intensity remains below the industry average at 17.6kg CO<sub>2</sub>/bbl. We have been very proud to work with our partner DNO on Kurdistan's first gas reinjection project, which has captured 1.2 million tonnes of CO<sub>2</sub>e since its inception in 2020. Not only has this facility greatly reduced flaring at Tawke, but it has also led to a marked improvement in field performance. On a smaller scale, our pilot solar powered well site at the Sarta-1 well pad has saved almost nine tonnes of CO<sub>2</sub> emissions there and established a new standard design for Genel well pads. As we seek to diversify our business, we will retain our clear commitment to being a socially responsible contributor to the global energy mix.

### **Outlook**

The production base that the Tawke licence provides is set to deliver free cash flow that supports the progression of business catalysts and payment of our material dividend. We have a firm commitment to invest our cash to add shareholder value, and both the means and determination to do it. Our team is dedicated to delivering strong future cash flow and shareholder returns.

## OPERATING REVIEW

### Reserves and resources development

Genel's proven (1P) and proven plus probable (2P) net working interest reserves totalled 69 MMbbls (31 December 2021: 63 MMbbls) and 92 MMbbls (31 December 2021: 104 MMbbls) respectively at the end of 2022.

Ongoing positive performance at the Tawke PSC has boosted the 1P number, and helped to offset the reduction in 2P reserves at Sarta.

	Remaining reserves (MMbbls)				Resources (MMboe)					
					Contingent				Prospective	
	1P		2P		1C		2C		Best	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>31 December 2021</b>	238	63	391	104	163	49	400	122	5,443	3,274
Production	(42)	(11)	(42)	(11)	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	(13)	(5)	(55)	(22)	(585)	(234)
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
New developments	-	-	-	-	-	-	-	-	-	-
Revision of previous estimates	71	17	0	(1)	(113)	(33)	(216)	(63)	(136)	(34)
<b>31 December 2022</b>	<b>267</b>	<b>69</b>	<b>349</b>	<b>92</b>	<b>37</b>	<b>11</b>	<b>129</b>	<b>36</b>	<b>4,722</b>	<b>3,006</b>

### Production

Production averaged 30,150 bopd in 2022, driven by the ongoing positive performance of the Tawke licence.

### PRODUCING ASSETS

#### Tawke PSC (25% working interest)

Gross production at the Tawke licence averaged 107,090 bopd in 2022, of which the Peshkibir field contributed 62,040 bopd, and the Tawke field 45,050 bopd.

By the end of 2022 the Tawke field had delivered three consecutive quarters of production growth, the first quarterly increases since 2015, as new wells were drilled, workovers conducted on existing ones and gas injection stepped up to counter natural field decline. In 2022, the field partners also completed the \$25 million expansion of the Peshkibir-to-Tawke gas project, Kurdistan's only gas capture and enhanced recovery injection project. Since 2020, the project has captured 1.2 million tonnes of CO<sub>2</sub>e through avoided flaring.

#### Sarta (30% working interest, operator)

Gross production averaged 4,710 bopd in 2022. Following the disappointing appraisal results and pilot production, Genel's focus is on making ongoing production from Sarta profitable, with any further capital investment contingent on both licence profitability and the extent to which there can be confidence that such investment can add cash generative production.

#### Taq Taq (44% working interest, joint operator)

Gross production at Taq Taq averaged 4,490 bopd in 2022. Activity in 2023 is expected to include one sidetrack well targeting the Upper Shiranish formation.

### PRE-PRODUCTION ASSETS

#### Somaliland

Preparation continues for the drilling of the Toosan-1 well on the highly prospective SL10B13 block (51% working interest and operator).

The Toosan prospect contains stacked Mesozoic reservoir objectives, with multiple individual prospective resource estimates each ranging from 100 to 200 MMbbls.

Environmental and social impact assessments are continuing, and community engagement efforts are ramping up. Tendering for the rig and well services is ongoing. Genel continues to target a spud date

in the next 12-16 months, acknowledging the challenges of operating in such a frontier area with limited existing infrastructure.

In Q3 2022, samples from a water well drilled by the Ministry of Water Resources Development near a village on the Odewayne licence (50% working interest and operator) indicated trace hydrocarbons. Traces of oil have historically been found in surface seepages across Somaliland, and Genel is set to obtain a more meaningful sample in 2023, helping to define any future work programme on the licence.

Morocco (Lagzira block - 75% working interest and operator)

The Petroleum Agreement and Association Contract was signed with ONHYM in February for a full eight-year exploration term (in three exploration periods), with attractive fiscal terms.

The Lagzira block (formerly Sidi Moussa) is a large offshore licence, in water depths of 200-1,200 metres, with a proven petroleum system following Genel's 2014 SM-1 well which recovered oil from Upper and Middle Jurassic reservoirs.

3D seismic acquired in 2018 resulted in a significant uplift and improvement in subsurface imaging and prospects have been high-graded, and the new data has highlighted new plays and provided an enhanced understanding of the SM-1 well result.

In total, 18 prospects and leads have been identified, with over 2.5 Bboe mean recoverable resource potential with individual prospects estimated at 100-700 MMbbls each.

Genel has launched a process to find a partner to take a material equity position and jointly pursue the exploration programme in the block, with the opportunity to drill and test one of the high-graded prospects.

**FINANCIAL REVIEW**

(all figures \$ million)	FY 2022	FY 2021
Brent average oil price	<b>\$101/bbl</b>	\$71/bbl
<b>Revenue</b>	<b>432.7</b>	334.9
Production costs	<b>(51.1)</b>	(45.9)
Cost recovered production asset capex	<b>(85.9)</b>	(49.9)
<b>Production business net income after cost recovered capex</b>	<b>295.7</b>	239.1
G&A (excl. non-cash)	<b>(19.2)</b>	(12.4)
Net cash interest <sup>1</sup>	<b>(19.2)</b>	(26.1)
Working capital	<b>(9.7)</b>	(19.7)
Payments for deferred receivables	<b>94.4</b>	35.1
Changes to payment days <sup>2</sup>	<b>(44.4)</b>	(65.0)
<b>Free cash flow before investment in growth</b>	<b>297.6</b>	151.0
Pre-production capex	<b>(57.2)</b>	(88.6)
Working capital and other	<b>(5.6)</b>	23.5
<b>Free cash flow</b>	<b>234.8</b>	85.9
Dividend paid	<b>(47.9)</b>	(44.4)
Other	-	(1.3)
Bond repayment	<b>(6.0)</b>	(81.0)
<b>Net change in cash</b>	<b>180.9</b>	(40.8)
<b>Cash</b>	<b>494.6</b>	313.7
<i>Amounts owed for deferred receivables</i>	<b>16.5</b>	114.6

<sup>1</sup> Net cash interest is bond interest payable less bank interest income (see note 5)

<sup>2</sup> At year-end the KRG owed five months of sales, adversely impacting free cash flow for the year by \$44.4 million (2021: \$65.0 million)

**Strategy focused on our dividend**

In 2022, we refocused our business towards delivering shareholder returns primarily through our established dividend programme. The dividend programme has three key pillars:

- Material: it is competitive with the ordinary dividend of peers
- Sustainable: it is repeatable and reliable
- Progressive: it increases as the repeatable cash generation of the business grows

That dividend programme has paid \$177 million to shareholders since inception in 2019.

Funding the dividend programme is the frame that we apply to our capital allocation decisions and the type of assets that we want in our portfolio, with a focus on acquiring or developing low-cost, cash generative assets to build a business with consistent, long-dated, diversified, and resilient cash generation.

Total dividends paid in 2022 amounted to \$50 million (2021: \$44 million), representing 18¢ per share (2021: 16¢ per share).

The Board has now approved the retention of the final dividend at 12¢ per share, in addition to the interim dividend of 6¢ per share that was paid in October 2022.

The payment timetable for the final dividend is below:

- Ex-dividend date: 20 April 2023
- Record date: 21 April 2023
- Annual General Meeting: 11 May 2023
- Payment date: 19 May 2023

**2022 financial priorities**

The table below summarises our progress against the 2022 financial priorities of the Company as set out at our 2021 results.

2022 financial priorities	Progress
<ul style="list-style-type: none"> <li>Maintain our financial strength and put that financial strength to work through investing in growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Material cash generation</li> <li>Material recovery of deferred receivables</li> <li>Net cash increased</li> <li>Sarta appraisal delivered</li> </ul>
<ul style="list-style-type: none"> <li>Maximise NPV by prioritising highest value investment in assets with ongoing or near-term cash and value generation</li> </ul>	<ul style="list-style-type: none"> <li>Focus of capital allocation on cash generative investment in the Tawke PSC</li> </ul>
<ul style="list-style-type: none"> <li>Deliver 2022 work programme on time and on budget</li> </ul>	<ul style="list-style-type: none"> <li>Work programme activity delivered, capital expenditure guidance maintained</li> </ul>
<ul style="list-style-type: none"> <li>Continue to focus on growing our income streams and cash generation, bringing greater resilience and diversity to the business and supporting our sustainable and progressive dividend programme</li> </ul>	<ul style="list-style-type: none"> <li>Allocation of capital to Sarta appraisal programmes and progression of Somaliland</li> <li>Morocco farm-out process underway</li> <li>Continue to explore value-accretive additions</li> </ul>

**Outlook and financial priorities for 2023**

We carry significant liquidity and are net cash positive with our outlook cash generation expected to cover our established dividend in the medium-term.

The focus of the business is now on investing capital to add income streams and drive the long-term cash generation profile of the business, building a stronger Company and providing shareholders with a clear line of sight for a long-term and ultimately progressive dividend. We continue to see a long-term oil price that is supportive to our business, and coupled with our focus on the right barrels in the right locations, means we are committed to our business model and remaining resilient to volatility and the challenges faced by the sector.

For 2023, our financial priorities are the following:

- Maintain business resilience and balance sheet strength
- Put our significant cash balance to work, earning appropriate returns to deliver value to shareholders primarily through our dividend programme and diversify our cash generation
- Deliver the 2023 work programme on time and on budget, and continue simplification of the business with a focus on optimisation and cost control and investment in business improvement



**Financial results for the year***Income statement*

(all figures \$ million)	<b>FY 2022</b>	FY 2021
Brent average oil price	<b>\$101/bbl</b>	\$71/bbl
Production (bopd, working interest)	<b>30,150</b>	31,710
Profit oil	<b>149.2</b>	120.6
Cost oil	<b>141.1</b>	100.4
Override royalty	<b>142.4</b>	113.9
<b>Revenue</b>	<b>432.7</b>	334.9
Production costs	<b>(51.1)</b>	(45.9)
G&A (excl. depreciation and amortisation)	<b>(20.0)</b>	(13.9)
<b>EBITDAX</b>	<b>361.6</b>	275.1
Depreciation and amortisation	<b>(149.2)</b>	(172.8)
Exploration expense	<b>(1.0)</b>	-
Net impairment / write-off of oil and gas assets	<b>(201.3)</b>	(403.2)
Net reversal of impairment of receivables	<b>8.2</b>	24.1
Net finance expense	<b>(25.4)</b>	(31.0)
Income tax expense	<b>(0.2)</b>	(0.2)
<b>Loss</b>	<b>(7.3)</b>	(308.0)

With our predictable production over 30,000 bopd (2021: 31,710 bopd) the 40% increase in oil price resulted in a significant increase in revenue to \$433 million from \$335 million last year.

Production costs of \$51 million increased from the prior year (2021: \$46 million), with cost per barrel \$4.6/bbl in 2022 (2021: \$4.0/bbl), principally caused by higher operating costs per barrel at Sarta.

Corporate cash costs were \$18 million (2021: \$12 million), with an additional \$5 million incurred on legal spend.

The increase in revenue resulted in a similar increase to EBITDAX, which was \$362 million (2021: \$275 million). EBITDAX is presented in order to illustrate the cash profitability of the Company and excludes the impact of costs attributable to exploration activity, which tend to be one-off in nature, and the non-cash costs relating to depreciation, amortisation, impairments and write-offs.

Depreciation of \$110 million (2021: \$115 million) and Tawke intangibles amortisation of \$39 million (2021: \$58 million) decreased due to lower production and the completion of amortisation of the Tawke override intangible asset in July 2022.

The Company has reported a write-off expense of \$78 million relating to Qara Dagh, and an impairment expense of \$126 million relating to Sarta. A net impairment reversal of \$8 million has been recognised relating to receivables. Further explanation is provided in note 1 to the financial statements.

Interest income of \$7 million (2021: \$0.2 million) has significantly increased as a result of increase in interest rates, in turn reducing our cost of debt, which is helpful as we carefully view acquisition opportunities. Bond interest expense of \$26 million (2021: \$26 million) was in line with previous year. Other finance expense of \$6 million (2021: \$5 million) related to non-cash discount unwinding on provisions.

In relation to taxation, under the terms of KRI production sharing contracts, corporate income tax due is paid on behalf of the Company by the KRG from the KRG's own share of revenues, resulting in no corporate income tax payment required or expected to be made by the Company. Tax presented in

the income statement was related to taxation of the service companies (2022: \$0.2 million, 2021: \$0.2 million).

#### *Capital expenditure*

Key to our business model remains financial discipline, with investment focused on cash generation and in turn free cash flow and the support of our dividend. Capital expenditure was reduced to \$143 million (2021: \$164 million), with spend on production assets of \$133 million, and pre-production assets of \$10 million.

(all figures \$ million)	FY 2022	FY 2021
Cost recovered production capex	<b>85.9</b>	49.9
Pre-production capex – oil	<b>47.5</b>	55.4
Pre-production capex – gas	-	5.0
Other exploration and appraisal capex	<b>9.7</b>	53.4
<b>Capital expenditure</b>	<b>143.1</b>	163.7

#### *Cash flow, cash, net cash and debt*

Gross proceeds received totalled \$473 million (2021: \$281 million), of which \$124 million (2021: \$73 million) was received for the override royalty and \$94 million for receivable recovery (2021: \$35 million).

This was despite the receipt of 10 payments from the KRG in 2022, instead of the expected 12. Genel continues to work with other IOCs in the KRI and the KRG to deliver timely payments, which in turn enable ongoing investment in Kurdistan. Expenditure in the KRI will be appropriate to the payment environment.

(all figures \$ million)	FY 2022	FY 2021
Brent average oil price	<b>\$101/bbl</b>	\$71/bbl
<b>EBITDAX</b>	<b>361.6</b>	275.1
Working capital	<b>50.8</b>	(47.0)
<b>Operating cash flow</b>	<b>412.4</b>	228.1
Producing asset cost recovered capex	<b>(77.8)</b>	(46.9)
Development capex	<b>(50.4)</b>	(41.6)
Exploration and appraisal capex	<b>(20.0)</b>	(24.1)
Interest and other	<b>(29.4)</b>	(29.6)
<b>Free cash flow</b>	<b>234.8</b>	85.9

Free cash flow is presented in order to illustrate the free cash generated for equity. Free cash flow was \$235 million (2021: \$86 million) with an overall increase mainly as a result of higher Brent.

(all figures \$ million)	FY 2022	FY 2021
Free cash flow	<b>234.8</b>	85.9
Dividend paid	<b>(47.9)</b>	(44.4)
Other	-	(1.3)
Bond repayment	<b>(6.0)</b>	(81.0)
<b>Net change in cash</b>	<b>180.9</b>	(40.8)
Opening cash	<b>313.7</b>	354.5
<b>Closing cash</b>	<b>494.6</b>	313.7
Debt reported under IFRS	<b>(266.6)</b>	(269.8)
<b>Net cash</b>	<b>228.0</b>	43.9

The bonds maturing in 2025 have two financial covenant maintenance tests:

Financial covenant	Test	YE 2022
Equity ratio (Total equity/Total assets)	> 40%	56%
Minimum liquidity	> \$30m	\$495m

*Net assets*

Net assets at 31 December 2022 were \$528 million (31 December 2021: \$581 million) and consist primarily of oil and gas assets of \$327 million (31 December 2021: \$539 million), trade receivables of \$117 million (31 December 2021: \$158 million) and net cash of \$228 million (31 December 2021: \$44 million).

*Liquidity / cash counterparty risk management*

The Company monitors its cash position, cash forecasts and liquidity on a regular basis. The Company holds surplus cash in treasury bills or on time deposits with a number of major financial institutions. Suitability of banks is assessed using a combination of sovereign risk, credit default swap pricing and credit rating.

*Going concern*

The Directors have assessed that the Company's forecast liquidity provides adequate headroom over forecast expenditure for the 12 months following the signing of the annual report for the period ended 31 December 2022 and consequently that the Company is considered a going concern. Further explanation is provided in note 1 to the financial statements.

The Company is in a net cash position with no near-term maturity of liabilities.

**Consolidated statement of comprehensive income**

For the year ended 31 December 2022

	Note	2022 \$m	2021 \$m
<b>Revenue</b>	2	<b>432.7</b>	334.9
Production costs	3	<b>(51.1)</b>	(45.9)
Depreciation and amortisation of oil assets	3	<b>(149.1)</b>	(172.7)
<b>Gross profit</b>		<b>232.5</b>	116.3
Exploration expense	3	<b>(1.0)</b>	-
Net write-off of intangible assets	1,3,8	<b>(75.8)</b>	(403.2)
Impairment of property, plant and equipment	3,9	<b>(125.5)</b>	-
Net reversal of impairment of receivables	3,10	<b>8.2</b>	24.1
General and administrative costs	3	<b>(20.1)</b>	(14.0)
<b>Operating profit / (loss)</b>		<b>18.3</b>	(276.8)
<i>Operating profit / (loss) is comprised of:</i>			
EBITDAX		<b>361.6</b>	275.1
Depreciation and amortisation	3	<b>(149.2)</b>	(172.8)
Exploration expense	3	<b>(1.0)</b>	-
Net write-off of intangible assets	3,8	<b>(75.8)</b>	(403.2)
Impairment of property, plant and equipment	3,9	<b>(125.5)</b>	-
Net reversal of impairment of receivables	3,10	<b>8.2</b>	24.1
Finance income	5	<b>6.7</b>	0.2
Bond interest expense	5	<b>(25.9)</b>	(26.3)
Other finance expense	5	<b>(6.2)</b>	(4.9)
<b>Loss before income tax</b>		<b>(7.1)</b>	(307.8)
Income tax expense	6	<b>(0.2)</b>	(0.2)
<b>Loss and total comprehensive expense</b>		<b>(7.3)</b>	(308.0)
<b>Attributable to:</b>			
Owners of the parent		<b>(7.3)</b>	(308.0)
		<b>(7.3)</b>	(308.0)
<b>Earnings / (Loss) per ordinary share</b>		<b>¢</b>	¢
Basic	7	<b>(2.6)</b>	(111.4)
Diluted	7	<b>(2.6)</b>	(111.4)
EPS excluding impairments <sup>1</sup>		<b>66.7</b>	25.8

<sup>1</sup>EPS excluding impairment is loss and total comprehensive expense adjusted for the add back of net impairment/write-off of oil and gas assets and net reversal of impairment of receivables divided by weighted average number of ordinary shares

**Consolidated balance sheet**

At 31 December 2022

	Note	2022 \$m	2021 \$m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	79.1	186.8
Property, plant and equipment	9,19	248.1	352.5
Trade and other receivables	10	-	18.4
		<b>327.2</b>	557.7
<b>Current assets</b>			
Trade and other receivables	10	121.7	145.0
Cash and cash equivalents	11	494.6	313.7
		<b>616.3</b>	458.7
<b>Total assets</b>		<b>943.5</b>	1,016.4
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12,19	(1.2)	(4.9)
Deferred income	13	(6.5)	(14.0)
Provisions	14	(52.2)	(42.6)
Interest bearing loans	15	(266.6)	(269.8)
		<b>(326.5)</b>	(331.3)
<b>Current liabilities</b>			
Trade and other payables	12,19	(82.4)	(97.5)
Deferred income	13	(6.8)	(6.5)
		<b>(89.2)</b>	(104.0)
<b>Total liabilities</b>		<b>(415.7)</b>	(435.3)
<b>Net assets</b>		<b>527.8</b>	581.1
<b>Owners of the parent</b>			
Share capital	17	43.8	43.8
Share premium account		3,897.4	3,947.5
Accumulated losses		(3,413.4)	(3,410.2)
<b>Total equity</b>		<b>527.8</b>	581.1

**Consolidated statement of changes in equity**

For the year ended 31 December 2022

	Note	Share capital \$m	Share premium \$m	Accumulated losses \$m	Total equity \$m
At 1 January 2021		43.8	3,991.9	(3,105.9)	929.8
Loss and total comprehensive expense		-	-	(308.0)	(308.0)
<i>Contributions by and distributions to owners</i>					
Share-based payments	20	-	-	5.0	5.0
Purchase of shares for employee share awards		-	-	(1.3)	(1.3)
Dividends provided for or paid <sup>1</sup>	18	-	(44.4)	-	(44.4)
At 31 December 2021 and 1 January 2022		43.8	3,947.5	(3,410.2)	581.1
Loss and total comprehensive expense		-	-	(7.3)	(7.3)
<i>Contributions by and distributions to owners</i>					
Share-based payments	20	-	-	4.1	4.1
Dividends provided for or paid <sup>1</sup>	18	-	(50.1)	-	(50.1)
<b>At 31 December 2022</b>		<b>43.8</b>	<b>3,897.4</b>	<b>(3,413.4)</b>	<b>527.8</b>

<sup>1</sup> The Companies (Jersey) Law 1991 does not define the expression "dividend" but refers instead to "distributions". Distributions may be debited to any account or reserve of the Company (including share premium account).

**Consolidated cash flow statement**  
For the year ended 31 December 2022

	Note	2022 \$m	2021 \$m
<b>Cash flows from operating activities</b>			
Loss for the year		(7.3)	(308.0)
Adjustments for:			
Net finance expense	5	25.4	31.0
Taxation	6	0.2	0.2
Depreciation and amortisation	3	152.0	175.3
Exploration expense	3	1.0	-
Net impairments, write-offs	3	193.1	379.1
Other non-cash items (royalty income and share-based cost)		(7.4)	(5.4)
Changes in working capital:			
Decrease / (Increase) in trade receivables		47.2	(42.4)
(Increase) in other receivables		-	(0.4)
Increase / (Decrease) in trade and other payables		1.7	(1.4)
<b>Cash generated from operations</b>		<b>405.9</b>	<b>228.0</b>
Interest received	5	6.7	0.2
Taxation paid		(0.2)	(0.1)
<b>Net cash generated from operating activities</b>		<b>412.4</b>	<b>228.1</b>
<b>Cash flows from investing activities</b>			
Net payments of intangible assets		(20.0)	(24.1)
Net payments of property, plant and equipment		(128.2)	(88.5)
<b>Net cash used in investing activities</b>		<b>(148.2)</b>	<b>(112.6)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to company's shareholders	18	(47.9)	(44.4)
Purchase of own shares		-	(1.3)
Bond repayment	15	(6.0)	(81.0)
Lease payments		(3.8)	(3.3)
Interest paid		(25.6)	(26.3)
<b>Net cash used in financing activities</b>		<b>(83.3)</b>	<b>(156.3)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>180.9</b>	<b>(40.8)</b>
Cash and cash equivalents at 1 January	11	313.7	354.5
<b>Cash and cash equivalents at 31 December</b>	11	<b>494.6</b>	<b>313.7</b>

**Notes to the consolidated financial statements****1. Summary of significant accounting policies****1.1 Basis of preparation**

Genel Energy Plc – registration number: 107897 (the Company), is a public limited company incorporated and domiciled in Jersey with a listing on the London Stock Exchange. The address of its registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (together 'IFRS'); are prepared under the historical cost convention except as where stated; and comply with Company (Jersey) Law 1991. The significant accounting policies are set out below and have been applied consistently throughout the period.

The Company prepares its financial statements on a historical cost basis, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed either in the relevant accounting policy or in the notes to the financial statements.

Items included in the financial information of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars to the nearest million (\$ million) rounded to one decimal place, except where otherwise indicated.

For explanation of the key judgements and estimates made by the Company in applying the Company's accounting policies, refer to significant accounting judgements and estimates on pages 17 to 19.

**Going concern**

The Company regularly evaluates its financial position, cash flow forecasts and its compliance with financial covenants by considering multiple combinations of oil price, discount rates, production volumes, payments, capital and operational spend scenarios.

The Company has reported cash of \$494.6 million, with no debt maturing until the second half of 2025 and headroom on both the equity ratio and minimum liquidity financial covenants. The strength of the balance sheet is expected to be enhanced through 2023.

The Company's low-cost assets and flexibility on commitment of capital mean that it is resilient to low oil prices, with the only customer, the KRG, demonstrating its ability to pay in times of financial stress. There is considered to be sufficient cash in the business and still more room for flexibility if needed given the nature of the discretionary capex planned.

Longer term, our low-cost, low-carbon assets, located in a region where oil revenues provide a material proportion of funding to the government and its people means that we are well positioned to address the appropriate challenges and demands that climate change initiatives are bringing to the sector. Given the footprint and the benefit to society generated, we see our portfolio as being well-positioned for a future of fewer and better natural resources projects, while the global energy mix continues to require hydrocarbons.

As a result, the Directors have assessed that the Company's forecast liquidity provides adequate headroom over its forecast expenditure for the 12 months following the signing of the annual report for the period ended 31 December 2022 and consequently that the Company is considered a going concern.

**Foreign currency**

Foreign currency transactions are translated into the functional currency of the relevant entity using the exchange rates prevailing at the dates of the transactions or at the balance sheet date where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**Consolidation**

The consolidated financial statements consolidate the Company and its subsidiaries. These accounting policies have been adopted by all companies.



*Subsidiaries*

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Transactions, balances and unrealised gains on transactions between companies are eliminated.

*Joint arrangements and associates*

Arrangements under which the Company has contractually agreed to share control with another party, or parties, are joint ventures where the parties have rights to the net assets of the arrangement, or joint operations where the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Investments in entities over which the Company has the right to exercise significant influence but has neither control nor joint control are classified as associates and accounted for under the equity method.

The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other partners.

*Acquisitions*

The Company uses the acquisition method of accounting to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree at fair value at time of recognition or at the non-controlling interest's proportionate share of net assets. Acquisition-related costs are expensed as incurred.

*Farm-in/farm-out*

Farm-in/farm-out transactions undertaken in the exploration phase of an oil and gas asset are accounted for on a no gain/no loss basis due to inherent uncertainties in the exploration phase and associated difficulties in determining fair values reliably prior to the determination of commercially recoverable proved reserves. The resulting exploration and evaluation asset is then assessed for impairment indicators under IFRS 6. Any cash payment or proceeds are presented as an increase or reduction to additions respectively.

**1.2 Significant accounting judgements and estimates**

The preparation of the financial statements in accordance with IFRS requires the Company to make judgements and estimates that affect the reported results, assets and liabilities. Where judgements and estimates are made, there is a risk that the actual outcome could differ from the judgement or estimate made.

**Significant judgements**

The following are the significant judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Recognition of revenue generated by the override royalty, arising from the RSA (note 2 and 10)***

In 2020, the KRG informed the Company that amounts owed in relation to the suspension of the override for the period between 1 March 2020 to 31 December 2020 would not be paid until oil price improved and towards the end of 2020 introduced a temporary mechanism to pay those amounts. As management did not have visibility on how or when this contractual right would be received, it assessed that the criteria for revenue recognition under IFRS15, specifically on payment terms and collectability, have not been met and proceeded to recognise revenue associated with this mechanism on a cash receipts basis.

Following the cash receipts in 2022, the Company has recognised \$18.2 million in the reporting period.

At 31 December 2022, management has assessed that it is now sufficiently confident to recognise amounts due under the mechanism, but not yet received. This has resulted in \$16.5 million being also recognised in the reporting period. All of this amount has been received since the reporting date.

***Qara Dagh PSC (note 8)***

Due to the expiry of the Qara Dagh licence on 2 January 2023, the book value of \$78.0 million has been written off under IFRS 6.

**Significant estimates**

The following are the critical estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Estimation of hydrocarbon reserves and resources and associated production profiles and costs***

Estimates of hydrocarbon reserves and resources are inherently imprecise and are subject to future revision. The Company's estimation of the quantum of oil and gas reserves and resources and the timing of its production, cost and monetisation impact the Company's financial statements in a number of ways, including: testing recoverable values for impairment; the calculation of depreciation, amortisation and assessing the cost and likely timing of decommissioning activity and associated costs. This estimation also impacts the assessment of going concern and the viability statement.

Proved and probable reserves are estimates of the amount of hydrocarbons that can be economically extracted from the Company's assets. The Company estimates its reserves using standard recognised evaluation techniques which are based on Petroleum Resources Management System 2018. Assets assessed as having proven and probable reserves are generally classified as property, plant and equipment as development or producing assets and depreciated using the units of production methodology. The Company considers its best estimate for future production and quantity of oil within an asset based on a combination of internal and external evaluations and uses this as the basis of calculating depreciation and amortisation of oil and gas assets and testing for impairment under IAS 36.

Hydrocarbons that are not assessed as reserves are considered to be resources and the related assets are classified as exploration and evaluation assets. These assets are expenditures incurred before technical feasibility and commercial viability is demonstrable. Estimates of resources for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and being depleted and are likely to contain estimates and judgements with a wide range of possibilities. These assets are considered for impairment under IFRS 6.

Once a field commences production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Assessment of reserves and resources are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves.

***Change in accounting estimate***

Where the Company has updated its estimated reserves and resources any required disclosure of the impact on the financial statements is provided in the following sections.

***Estimation of oil and gas asset values (note 8 and 9)***

Estimation of the asset value of oil and gas assets is calculated from a number of inputs that require varying degrees of estimation. Principally oil and gas assets are valued by estimating the future cash flows based on a combination of reserves and resources, costs of appraisal, development and production, production profile and future sales price and discounting those cash flows at an appropriate discount rate.

Future costs of appraisal, development and production are estimated taking into account the level of development required to produce those reserves and are based on past costs, experience and data from similar assets in the region, future petroleum prices and the planned development of the asset. However, actual costs may be different from those estimated.

Discount rate is assessed by the Company using various inputs from market data, external advisers and internal calculations. A post tax nominal discount rate of 14% derived from the Company's weighted average cost of capital (WACC) is used when assessing the impairment testing of the Company's oil assets at year-end. Risking factors are also used alongside the discount rate when the Company is assessing exploration and appraisal assets.

***Change in accounting estimate – Discount rate for assessing recoverable amount of producing assets***

Following the changes in the macro geo-political, economic and industry environment, the Company has updated the discount rate used for assessing the recoverable amount of its producing assets from 13% to 14%.

**Estimation of future oil price and netback price**

The estimation of future oil price has a significant impact throughout the financial statements, primarily in relation to the estimation of the recoverable value of property, plant and equipment and intangible assets. It is also relevant to the assessment of ECL, going concern and the viability statement.

The Company's forecast of average Brent oil price for future years is based on a range of publicly available market estimates and is summarised in the table below.

\$/bbl	2022	2023	2024	2025	2026
<b>Actual / Forecast</b>	<b>101</b>	<b>82</b>	<b>78</b>	<b>74</b>	<b>70</b>
<i>HY2022 forecast</i>	<i>100</i>	<i>90</i>	<i>80</i>	<i>70</i>	<i>70</i>
<i>Prior year forecast</i>	<i>75</i>	<i>75</i>	<i>70</i>	<i>70</i>	<i>70</i>

The netback price is used to value the Company's revenue, trade receivables and its forecast cash flows used for impairment testing and viability. It is the aggregation of reference oil price average less transportation costs, handling costs and quality adjustments. Effective from 1 September 2022, sales have been priced by the MNR under a new pricing formula based on the realised sales price for Kurdistan blend crude ('KBT') during the delivery month, rather than on dated Brent. The Company does not have direct visibility on the components of the netback price realised for its oil because sales are managed by the KRG, but invoices are currently raised for payments on account using a netback price provided by the KRG. Due to lack of this visibility, the Company has used an estimated c.\$10/bbl discount on its Brent forecast based on the realised price in 2022 for its impairment testing and viability. The Company has also taken the change into account in its assessment of impairment reversal and considered it appropriate not to reverse any previous impairments. A sensitivity analysis of netback price on producing asset values has been provided in note 9.

**Change in accounting estimate – Sarta PSC (note 9)**

Following the results of the two appraisal wells and ongoing pilot production, the Company has assessed that initial field expectations are unlikely to be met and there is an impairment trigger in relation to reserves and production profiles, hence undertaken an impairment review of the carrying value of the asset. This has resulted in a reduction in the recoverable value of the Sarta PSC to its value in use of \$16.8 million and in an impairment expense of \$125.5 million.

**Other estimates**

The following are the other estimates that the directors have made in the process of applying the Company's accounting policies and that have effect on the amounts recognised in the financial statements.

**Estimation of the recoverable value of deferred receivables and trade receivables (note 10)**

At the end of March 2020, in line with other International Oil Companies (IOCs) in Kurdistan, the KRG informed the Company that payments owed for sales made in the four months from November 2019 to February 2020 would be deferred and paid under a reconciliation model.

As at 31 December 2022, all amounts owed for deferred receivables have been collected and as a result the Company has released the remaining expected credit loss (ECL) provision of \$10.8 million. On the other hand, the Company is owed five months of payments and therefore, management has compared the carrying value of trade receivables with the present value of the estimated future cash flows based on different collection timing scenarios and 14% discount rate. The ECL is the weighted average of these scenarios and is recognised in the income statement. The result of this assessment is an ECL provision of \$4.6 million.

**Decommissioning provision (note 14)**

Decommissioning provisions are calculated from a number of inputs such as costs to be incurred in removing production facilities and site restoration at the end of the producing life of each field which is considered as the mid-point of a range of cost estimation. These inputs are based on the Company's best estimate of the expenditure required to settle the present obligation at the end the period inflated at 2% (2021: 2%) and discounted at 4% (2021: 4%). 10% increase in cost estimates would increase the existing provision by c.\$5 million and 1% increase in discount rate would decrease the existing provision by c.\$4 million, the combined impact would be c.\$1 million. The cash flows relating to the decommissioning and abandonment provisions are expected to occur between 2028 and 2036.

**Taxation**

Under the terms of KRI PSC's, corporate income tax due is paid on behalf of the Company by the KRG from the KRG's own share of revenues, resulting in no corporate income tax payment required or expected to be made by the Company. It is not known at what rate tax is paid, but it is estimated that the current tax rate would be between 15% and 40%. If this was known it would result in a gross up of revenue with a corresponding debit entry to taxation expense with no net impact on the income statement or on cash. In addition, it would be necessary to assess whether any deferred tax asset or liability was required to be recognised.

**1.3 Accounting policies**

The accounting policies adopted in preparation of these financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2021, adjusted for transitional requirements where necessary, further explained under revenue and changes in accounting policies headings.

**Revenue**

Revenue from contracts with customers is earned based on the entitlement mechanism under the terms of the relevant PSC and, overriding royalty income ('ORRI'), which was earned on 4.5% of gross field revenue from the Tawke licence up until July 2022.

Under IFRS 15, entitlement revenue and ORRI is recognised when the control of the product is deemed to have passed to the customer, in exchange for the consideration amount determined by the terms of the contract. For exports the control passes to the customer when the oil enters the export pipe.

Entitlement has two components: cost oil, which is the mechanism by which the Company recovers its costs incurred on an asset, and profit oil, which is the mechanism through which profits are shared between the Company, its partners and the KRG. The Company pays capacity building payments on profit oil entitlement earned on the Sarta and Taq Taq licences, which become due for payment once the Company has received the relevant proceeds. Profit oil revenue is always reported net of any capacity building payments that will become due.

The Company's oil sales are made to the KRG and are valued at a netback price which is explained further in significant accounting estimates and judgements. The Company does not expect to have any contracts where the period between the transfer of oil to the customer and the payment exceeds one year. Therefore, the transaction price is not adjusted for the time value of money.

The Company is not able to measure the tax that has been paid on its behalf and consequently has not been able to assess where revenue should be reported gross of implied income tax paid.

The Company's revenue from other sources includes a non-cash royalty income which is recognised in the statement of comprehensive income in a manner consistent with entitlement mechanism.

**Intangible assets***Exploration and evaluation assets*

Oil and gas assets classified as exploration and evaluation assets are explained under Oil and Gas assets below.

*Tawke RSA*

Intangible assets include the Receivable Settlement Agreement ('RSA') effective from 1 August 2017, which was entered into in exchange for trade receivables due from KRG for Taq Taq and Tawke past sales. The RSA was recognised at cost and is amortised on a units of production basis in line with the economic lives of the rights acquired.

*Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is expensed on a straight-line basis over the estimated useful lives of the assets of between 3 and 5 years from the date that they are available for use.

**Property, plant and equipment***Producing and Development assets*

Oil and gas assets classified as producing and development assets are explained under Oil and Gas assets below.

*Other property, plant and equipment*

Other property, plant and equipment are principally the Company's leasehold improvements and other assets and are carried at cost, less any accumulated depreciation and accumulated impairment losses. Costs include purchase price and construction cost. Depreciation of these assets is expensed on a straight-line basis over their estimated useful lives of between 3 and 5 years from the date they are available for use.

**Oil and gas assets**

Costs incurred prior to obtaining legal rights to explore are expensed to the statement of comprehensive income.

Exploration, appraisal and development expenditure is accounted for under the successful efforts method. Under the successful efforts method only costs that relate directly to the discovery and development of specific oil and gas reserves are capitalised as exploration and evaluation assets within intangible assets so long as the activity is assessed to be de-risking the asset and the Company expects continued activity on the asset into the foreseeable future. Costs of activity that do not identify oil and gas reserves are expensed.

All licence acquisition costs, geological and geophysical costs, inventories and other direct costs of exploration, evaluation and development are capitalised as intangible assets or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until assessed as being 2P reserves and commercially viable.

Once assessed as being 2P reserves they are tested for impairment and transferred to property, plant and equipment as development assets. Where properties are appraised to have no commercial value, the associated costs are expensed as an impairment loss in the period in which the determination is made. Development assets are classified under producing assets following the commercial production commencement.

Development expenditure is accounted for in accordance with IAS 16 – Property, plant and equipment. Producing assets are depreciated once they are available for use and are depleted on a field-by-field basis using the unit of production method. The sum of carrying value and the estimated future development costs are divided by total barrels to provide a \$/barrel unit depreciation cost. Changes to depreciation rates as a result of changes in forecast production and estimates of future development expenditure are reflected prospectively.

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and changes in useful lives are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income for the relevant period.

Where exploration licences are relinquished or exited for no consideration or costs incurred are neither de-risking nor adding value to the asset, the associated costs are expensed to the income statement.

Impairment testing of oil and gas assets is considered in the context of each cash generating unit. A cash generating unit is generally a licence, with the discounted value of the future cash flows of the CGU compared to the book value of the relevant assets and liabilities.

*Subsequent costs*

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The net book value of the replaced part is expensed. The costs of the day-to-day servicing and maintenance of property, plant and equipment are recognised in the statement of comprehensive income.

**Right of use (RoU) assets / Lease liabilities**

The Company recognises a right to use asset and lease liability, depreciate the associated asset, re-measure and reduce the liability through lease payments unless the underlying leased asset is of low value and/or short term in nature.

The Company uses the following judgements permitted by the standard: applying a single discount rate to a portfolio of leases with reasonably similar characteristics, accounting for operating leases with a remaining lease term of less than 12 months as at balance sheet date as short-term leases and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets are depreciated over the lifetime of the related lease contract.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and included within trade and other payables.

Drill rig contracts are service contracts where contractors provide the rig together with the services and the contracted personnel on a day-rate basis for the purpose of drilling exploration or development wells. The Company has no right of use of the rigs. The aggregate payments under drilling contracts are determined by the number of days required to drill each well and are capitalised as exploration or development assets as appropriate.

### **Financial assets and liabilities**

#### *Classification*

The Company assesses the classification of its financial assets on initial recognition at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The Company assesses the classification of its financial liabilities on initial recognition at either fair value through profit and loss or amortised cost.

#### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised at fair value on the trade-date – the date on which the Company commits to purchase or sell the asset. Trade and other receivables, trade and other payables, borrowings and deferred contingent consideration are subsequently carried at amortised cost using the effective interest method.

#### *Trade and other receivables*

Trade receivables are amounts due from crude oil sales, sales of gas or services performed in the ordinary course of business. If payment is expected within one year or less, trade receivables are classified as current assets otherwise they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company's assessment of impairment model based on expected credit loss is explained below under financial assets.

#### *Cash and cash equivalents*

In the consolidated balance sheet and consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments which are assessed as cash and cash equivalents under IAS 7 and includes the Company's share of cash held in joint operations.

#### *Interest-bearing borrowings*

Borrowings are recognised initially at fair value, net of any discount in issuance and transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are presented as long or short-term based on the maturity of the respective borrowings in accordance with the loan or other agreement. Borrowings with maturities of less than twelve months are classified as short-term. Amounts are classified as long-term where maturity is greater than twelve months. Where no objective evidence of maturity exists, related amounts are classified as short-term.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Company's

best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. The unwinding of any discount is recognised as finance costs in the statement of comprehensive income.

#### *Decommissioning*

Provision is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field. A corresponding cost is capitalised to property, plant and equipment and subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision and capitalised as part of the cost of the assets.

#### **Impairment**

##### *Exploration and evaluation assets*

Spend on exploration and evaluation assets is capitalised in accordance with IFRS 6. The carrying amounts of the Company's exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment under IFRS 6. Impairment assessment of exploration and evaluation assets is considered in the context of each cash generating unit, which is generally represented by relevant the licence.

##### *Producing and Development assets*

The carrying amounts of the Company's producing and development assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. For value in use, the estimated future cash flows arising from the Company's future plans for the asset are discounted to their present value using a nominal post tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. For fair value less costs of disposal, an estimation is made of the fair value of consideration that would be received to sell an asset less associated selling costs (which are assumed to be immaterial). Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash generating unit).

The estimated recoverable amount is then compared to the carrying value of the asset. Where the estimated recoverable amount is materially lower than the carrying value of the asset an impairment loss is recognised. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

##### *Property, plant and equipment and intangible assets*

Impairment testing of oil and gas assets is explained above. When impairment indicators exist for other non-financial assets, impairment testing is performed based on the higher of value in use and fair value less costs of disposal. The Company assets' recoverable amount is determined by fair value less costs of disposal.

##### *Financial assets*

Impairment of financial assets is assessed under IFRS 9 with a forward-looking impairment model based on expected credit losses (ECLs). The standard requires the Company to book an allowance for ECLs for its financial assets. The Company has assessed its trade receivables as at 31 December 2022 for ECLs. Further explanation is provided in significant accounting judgements and estimates.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate of future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised as an expense in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### **Equity**

##### *Share capital*

Amounts subscribed for share capital at nominal value. Ordinary shares are classified as equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects and is recognised as a deduction in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

#### *Share premium*

Amounts subscribed for share capital in excess of nominal value.

#### *Accumulated loss*

Cumulative net losses recognised in the statement of comprehensive income net of amounts recognised directly in equity.

#### **Dividend**

Liability to pay a dividend is recognised based on the declared timetable. A corresponding amount is recognised directly in equity.

#### **Employee benefits**

##### *Short-term benefits*

Short-term employee benefit obligations are expensed to the statement of comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Share-based payments*

The Company operates equity-settled share-based compensation plans. The expense required in accordance with IFRS2 is recognised in the statement of comprehensive income over the vesting period of the award. The expense is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models.

At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the statement of comprehensive income with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

#### **Finance income and finance costs**

Finance income comprises interest income on cash invested, foreign currency gains and the unwind of discount on any assets held at amortised cost. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, foreign currency losses and discount unwind on any liabilities held at amortised cost. Borrowing costs directly attributable to the acquisition of a qualifying asset as part of the cost of that asset are capitalised over the respective assets.

#### **Taxation**

Under the terms of the KRI PSCs, the Company is not required to pay any cash corporate income taxes as explained in significant accounting judgements and estimates. Current tax expense is incurred on profits of service companies.

#### **Segmental reporting**

IFRS 8 requires the Company to disclose information about its business segments and the geographic areas in which it operates. It requires identification of business segments on the basis of internal reports that are regularly reviewed by the CEO, the chief operating decision maker, in order to allocate resources to the segment and assess its performance.

#### **Related parties**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also related if they are subject to common control. Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged and are disclosed separately within the notes to the consolidated financial information.



**New standards**

The following new accounting standards, amendments to existing standards and interpretations are effective on 1 January 2022. Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020). These standards did not have a material impact on the Company's results or financial statements disclosures in the current reporting period.

The following new accounting standards, amendments to existing standards and interpretations have been issued but are not yet effective and/or have not yet been endorsed by the EU: Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current, Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (1 Jan 2023), Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 Jan 2023), Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (1 Jan 2023), Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (1 Jan 2023), IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (1 Jan 2023). Nothing has been early adopted, and these standards are not expected to have a material impact on the Company's results or financial statement disclosures in the periods they become effective.

## 2. Segmental information

The Company has two reportable business segments: Production and Pre-production. Capital allocation decisions for the production segment are considered in the context of the cash flows expected from the production and sale of crude oil. The production segment is comprised of the producing fields on the Tawke PSC (Tawke and Peshkabir), the Taq Taq PSC (Taq Taq) and the Sarta PSC (Sarta) which are located in the KRI and make sales predominantly to the KRG. The pre-production segment is comprised of discovered resource held under the Qara Dagh PSC (written-off in the year), the Bina Bawi PSC (derecognised in 2021) and the Miran PSC (derecognised in 2021), all in the KRI and exploration activity, principally located in Somaliland and Morocco. 'Other' includes corporate assets, liabilities and costs, elimination of intercompany receivables and intercompany payables, which are non-segment items.

### For the year ended 31 December 2022

	Production \$m	Pre- production \$m	Other \$m	Total \$m
Revenue from contracts with customers	419.5	-	-	419.5
Revenue from other sources	13.2	-	-	13.2
Cost of sales	(200.2)	-	-	(200.2)
Gross profit	232.5	-	-	232.5
Exploration expense	-	(1.0)	-	(1.0)
Net write-off of intangible asset	-	(75.8)	-	(75.8)
Impairment of property, plant and equipment	(125.5)	-	-	(125.5)
Reversal of impairment of receivables	10.8	-	2.0	12.8
Impairment of receivables	(4.6)	-	-	(4.6)
General and administrative costs	-	-	(20.1)	(20.1)
Operating profit / (loss)	113.2	(76.8)	(18.1)	18.3
<i>Operating profit / (loss) is comprised of</i>				
EBITDAX	381.6	-	(20.0)	361.6
Depreciation and amortisation	(149.1)	-	(0.1)	(149.2)
Exploration expense	-	(1.0)	-	(1.0)
Net write-off of intangible assets	-	(75.8)	-	(75.8)
Impairment of property, plant and equipment	(125.5)	-	-	(125.5)
Reversal of impairment of receivables	10.8	-	2.0	12.8
Impairment of receivables	(4.6)	-	-	(4.6)
Finance income	-	-	6.7	6.7
Bond interest expense	-	-	(25.9)	(25.9)
Other finance expense	(3.3)	(0.4)	(2.5)	(6.2)
Profit / (Loss) before income tax	109.9	(77.2)	(39.8)	(7.1)
Capital expenditure	133.4	9.7	-	143.1
Total assets	447.3	23.5	472.7	943.5
Total liabilities	(111.9)	(17.7)	(286.1)	(415.7)

Revenue from contracts with customers includes \$94.5 million (2021: \$101.9 million) arising from the ORRI and \$34.7 million in relation to the suspended ORRI as further explained in note 1. No more ORRI income is expected in the future.

Total assets and liabilities in the other segment are predominantly cash and debt balances.

For the year ended 31 December 2021

	Production \$m	Pre- production \$m	Other \$m	Total \$m
Revenue from contracts with customers	322.9	-	-	322.9
Revenue from other sources	12.0	-	-	12.0
Cost of sales	(218.6)	-	-	(218.6)
Gross profit	116.3	-	-	116.3
Write-off of intangible asset	-	(403.2)	-	(403.2)
Reversal of impairment on receivables	24.1	-	-	24.1
General and administrative costs	-	-	(14.0)	(14.0)
Operating profit / (loss)	140.4	(403.2)	(14.0)	(276.8)

<i>Operating profit / (loss) is comprised of</i>				
<i>EBITDAX</i>	289.0	-	(13.9)	275.1
<i>Depreciation and amortisation</i>	(172.7)	-	(0.1)	(172.8)
<i>Write-off of intangible assets</i>	-	(403.2)	-	(403.2)
<i>Reversal of impairment of receivables</i>	24.1	-	-	24.1

Finance income	-	-	0.2	0.2
Bond interest expense	-	-	(26.3)	(26.3)
Other finance expense	(2.1)	(0.2)	(2.6)	(4.9)
Profit / (Loss) before income tax	138.3	(403.4)	(42.7)	(307.8)

Capital expenditure	105.3	58.4	-	163.7
Total assets	644.0	88.3	284.1	1,016.4
Total liabilities	(118.2)	(22.4)	(294.7)	(435.3)

Total assets and liabilities in the other segment are predominantly cash and debt balances.

**3. Operating loss**

	2022	2021
	\$m	\$m
Operating costs	(50.7)	(45.5)
Trucking costs	(0.4)	(0.4)
<b>Production cost</b>	<b>(51.1)</b>	<b>(45.9)</b>
Depreciation of oil and gas property, plant and equipment (excl. RoU assets)	(109.9)	(115.1)
Amortisation of oil and gas intangible assets	(39.2)	(57.6)
<b>Cost of sales</b>	<b>(200.2)</b>	<b>(218.6)</b>
Exploration expense	(1.0)	-
Write-off of intangible assets (note 1,8)	(78.0)	(403.2)
Net reversal of accruals	2.2	-
Net write-off of intangible assets	(75.8)	(403.2)
Impairment of property, plant and equipment (note 1,9)	(125.5)	-
Reversal of impairment of other receivables	2.0	-
Reversal of impairment of trade receivables (note 1,10)	10.8	24.1
Impairment of receivables (note 1,10)	(4.6)	-
Corporate cash costs	(18.1)	(12.2)
Other operating expenses	(1.1)	(0.2)
Corporate share-based payment expense	(0.8)	(1.5)
Depreciation and amortisation of corporate assets (excl. RoU assets)	(0.1)	(0.1)
<b>General and administrative expenses</b>	<b>(20.1)</b>	<b>(14.0)</b>

Trucking costs are not cost-recoverable and relate to the Sarta licence only.

Auditor's remuneration:

	2022	2021
	\$m	\$m
Audit of the Group's consolidated financial statements	(0.3)	(0.3)
Audit of the Group's subsidiaries pursuant to legislation	(0.1)	(0.1)
Total audit services	(0.4)	(0.4)
Interim review	(0.1)	(0.1)
<b>Total audit related and non-audit services</b>	<b>(0.5)</b>	<b>(0.5)</b>

All fees paid to the auditor were charged to operating loss in both years.

**4. Staff costs and headcount**

	2022	2021
	\$m	\$m
Wages and salaries	(21.1)	(23.3)
Contractors costs	(20.6)	(21.2)
Social security costs	(4.3)	(3.2)
Share based payments	(4.1)	(5.5)
	<b>(50.1)</b>	<b>(53.2)</b>

Average headcount was:

	2022	2021
	number	number
Turkey	39	51
KRI	38	28
UK	34	33
Somaliland	18	16
Contractors	<b>129</b>	<b>110</b>

<b>258</b>	238
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## 5. Finance expense and income

	2022	2021
	\$m	\$m
Bond interest	<b>(25.9)</b>	(26.3)
Other finance expense (non-cash)	<b>(6.2)</b>	(4.9)
<b>Finance expense</b>	<b>(32.1)</b>	(31.2)
Bank interest income	<b>6.7</b>	0.2
<b>Finance income</b>	<b>6.7</b>	0.2
<b>Net finance expense</b>	<b>(25.4)</b>	(31.0)

Bond interest payable is the cash interest cost of the Company bond debt. Other finance expense (non-cash) primarily relates to the discount unwind on the bond and the asset retirement obligation provision.

## 6. Income tax expense

Current tax expense is incurred on profits of service companies. Under the terms of the KRI PSCs, the Company is not required to pay any cash corporate income taxes as explained in note 1.

## 7. Loss per share

### Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of shares in issue during the period.

	2022	2021
Loss attributable to owners of the parent (\$m)	<b>(7.3)</b>	(308.0)
Weighted average number of ordinary shares – number <sup>1</sup>	<b>278,654,909</b>	276,408,652
<b>Basic loss per share – cents per share</b>	<b>(2.6)</b>	(111.4)

<sup>1</sup> Excluding shares held as treasury shares

### Diluted

The Company purchases shares in the market to satisfy share plan requirements so diluted earnings per share is adjusted for performance shares, restricted shares, share options and deferred bonus plans not included in the calculation of basic earnings per share. Because the Company reported a loss for the year ended 31 December 2022 and 31 December 2021, the performance shares, restricted shares and share options are anti-dilutive and therefore diluted LPS is the same as basic LPS:

	2022	2021
Loss attributable to owners of the parent (\$m)	<b>(7.3)</b>	(308.0)
Weighted average number of ordinary shares – number <sup>1</sup>	<b>278,654,909</b>	276,408,652
Adjustment for performance shares, restricted shares, share options and deferred bonus plans	-	-
Weighted average number of ordinary shares and potential ordinary shares	<b>278,654,909</b>	276,408,652
<b>Diluted loss per share – cents per share</b>	<b>(2.6)</b>	(111.4)

<sup>1</sup> Excluding shares held as treasury shares

## 8. Intangible assets

	Exploration and evaluation assets \$m	Tawke RSA \$m	Other assets \$m	Total \$m
<b>Cost</b>				
At 1 January 2021	1,541.5	425.1	7.4	1,974.0
Net additions	33.2	-	0.1	33.3
Other	1.3	-	-	1.3
Derecognition of accumulated costs	(1,005.3)	-	-	(1,005.3)
Write-off in the year	(489.3)	-	-	(489.3)
At 31 December 2021 and 1 January 2022	81.4	425.1	7.5	514.0
Additions	9.7	-	-	9.7
Write-off in the year (note 1)	(78.0)	-	-	(78.0)
Other	(0.2)	-	-	(0.2)
At 31 December 2022	12.9	425.1	7.5	445.5
<b>Accumulated amortisation and impairment</b>				
At 1 January 2021	(1,005.3)	(262.1)	(7.2)	(1,274.6)
Amortisation charge for the period	-	(57.6)	(0.3)	(57.9)
Derecognition of accumulated impairment	1,005.3	-	-	1,005.3
At 31 December 2021 and 1 January 2022	-	(319.7)	(7.5)	(327.2)
Amortisation charge for the year	-	(39.2)	-	(39.2)
At 31 December 2022	-	(358.9)	(7.5)	(366.4)
<b>Net book value</b>				
At 1 January 2021	536.2	163.0	0.2	699.4
At 31 December 2021	81.4	105.4	-	186.8
<b>At 31 December 2022</b>	<b>12.9</b>	<b>66.2</b>	<b>-</b>	<b>79.1</b>
			<b>2022</b>	<b>2021</b>
<b>Book value</b>			<b>\$m</b>	<b>\$m</b>
Somaliland PSC	<i>Exploration</i>		12.9	10.6
Qara Dagh PSC	<i>Exploration / Appraisal</i>		-	70.8
Exploration and evaluation assets			12.9	81.4
Tawke overriding royalty			-	27.5
Tawke capacity building payment waiver			66.2	89.7
Tawke RSA assets			66.2	105.4

An impairment review was conducted by Management and the Board which resulted in a write-off expense of \$78.0 million in the carrying value of the Qara Dagh PSC. Further explanation is provided in note 1.

## 9. Property, plant and equipment

	Producing assets \$m	Other assets \$m	Total \$m
<b>Cost</b>			
At 1 January 2021	3,036.3	22.6	3,058.9
Net additions	69.3	0.4	69.7
Right-of-use assets (note 19)	-	1.5	1.5
Transfer of right-of-use assets	7.4	(7.4)	-
Other <sup>1</sup>	4.2	-	4.2
At 31 December 2021 and 1 January 2022	3,117.2	17.1	3,134.3
Net additions	<b>129.1</b>	<b>0.9</b>	<b>130.0</b>
Right-of-use assets (note 19)	-	<b>(0.4)</b>	<b>(0.4)</b>
Other <sup>1</sup>	<b>5.9</b>	-	<b>5.9</b>
At 31 December 2022	<b>3,252.2</b>	<b>17.6</b>	<b>3,269.8</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2021	(2,651.4)	(11.8)	(2,663.2)
Depreciation charge for the year	(115.1)	(3.5)	(118.6)
Transfer	(2.7)	2.7	-
At 31 December 2021 and 1 January 2022	(2,769.2)	(12.6)	(2,781.8)
Depreciation charge for the year	<b>(112.8)</b>	<b>(1.6)</b>	<b>(114.4)</b>
Impairment (note 1)	<b>(125.5)</b>	-	<b>(125.5)</b>
At 31 December 2022	<b>(3,007.5)</b>	<b>(14.2)</b>	<b>(3,021.7)</b>
<b>Net book value</b>			
At 1 January 2021	384.9	10.8	395.7
At 31 December 2021	348.0	4.5	352.5
<b>At 31 December 2022</b>	<b>244.7</b>	<b>3.4</b>	<b>248.1</b>

<sup>1</sup> Other line includes non-cash asset retirement obligation provision and share-based payment costs.

<b>Book value</b>		<b>2022</b> \$m	2021 \$m
Tawke PSC	<i>Oil production</i>	<b>199.1</b>	196.4
Taq Taq PSC	<i>Oil production</i>	<b>28.8</b>	37.2
Sarta PSC	<i>Oil production/development</i>	<b>16.8</b>	114.4
Producing assets		<b>244.7</b>	348.0

An impairment review was conducted by Management and the Board which resulted in a reduction in the carrying value of the Sarta PSC and in an impairment expense of \$125.5 million. Further explanation is provided in note 1.

The sensitivities below provide an indicative impact on net asset value of a change in netback price, discount rate or production, assuming no change to any other inputs.

## Sensitivities

	<b>Taq Taq</b> \$m	<b>Tawke</b> \$m	<b>Sarta</b> \$m
Netback price +/- \$5/bbl	+/- 5	+/- 32	+/- 6
Discount rate +/- 1%	+/- 0	+/- 8	+/- 1
Production +/- 10%	+/- 5	+/- 25	+/- 6

**10. Trade and other receivables**

	<b>2022</b>	2021
	<b>\$m</b>	\$m
Trade receivables – current	<b>117.0</b>	139.7
Trade receivables – non-current	-	18.4
Other receivables and prepayments	<b>4.7</b>	5.3
	<b>121.7</b>	163.4

At 31 December 2022, the Company is owed five months of payments (31 December 2021: three months).

	<b>Period when sale made</b>				<b>Total nominal</b>	<b>ECL provision</b>	<b>Trade receivables</b>		
	<b>Not due</b>	<b>Deferred receivables</b>		<b>nominal</b>				<b>provision</b>	<b>receivables</b>
		<b>2022</b>	<b>2020</b>						
<b>31 December 2022</b>	<b>60.7</b>	<b>44.4</b>	<b>16.5</b>	<b>-</b>	<b>121.6</b>	<b>(4.6)</b>	<b>117.0</b>		
31 December 2021	92.1	-	55.4	21.4	168.9	(10.8)	158.1		

	<b>2022</b>	2021
	<b>\$m</b>	\$m
<b>Movement on trade receivables in the period</b>		
Carrying value at 1 January	<b>158.1</b>	94.0
Revenue from contracts with customers	<b>384.8</b>	322.9
Revenue recognised for suspended ORRI (note 1)	<b>34.7</b>	-
Cash proceeds	<b>(473.3)</b>	(281.3)
Offset of payables due to the KRG	<b>(0.1)</b>	(2.9)
Reversal of previous year's expected credit loss (note 1)	<b>10.8</b>	24.1
Expected credit loss for current year (note 1)	<b>(4.6)</b>	-
Capacity building payments	<b>5.2</b>	1.3
Sarta processing fee payments	<b>1.4</b>	-
<b>Carrying value at 31 December</b>	<b>117.0</b>	158.1
<b><i>Of which non-current</i></b>	<b>-</b>	<b>18.4</b>



**11. Cash and cash equivalents**

	<b>2022</b>	2021
	<b>\$m</b>	\$m
Cash and cash equivalents	<b>494.6</b>	313.7
	<b>494.6</b>	313.7

Cash is primarily held on major international financial institutions and in US Treasury bills.

**12. Trade and other payables**

	<b>2022</b>	2021
	<b>\$m</b>	\$m
Trade payables	<b>25.3</b>	19.5
Other payables	<b>5.2</b>	14.3
Accruals	<b>53.1</b>	68.6
	<b>83.6</b>	102.4
Non-current	<b>1.2</b>	4.9
Current	<b>82.4</b>	97.5
	<b>83.6</b>	102.4

Current payables are predominantly short-term in nature and there is minimal difference between contractual cash flows related to the financial liabilities and their carrying amount. For non-current payables, liabilities are recognised at discounted fair value using the effective interest rate. Lease liabilities are included in other payables, further explanation is provided in note 19.

**13. Deferred income**

	<b>2022</b>	2021
	<b>\$m</b>	\$m
Non-current (within 1-2 years)	<b>6.5</b>	14.0
Current	<b>6.8</b>	6.5
	<b>13.3</b>	20.5

**14. Provisions**

	<b>2022</b>	2021
	<b>\$m</b>	\$m
Balance at 1 January	<b>42.6</b>	45.9
Interest unwind	<b>2.6</b>	1.8
Additions	<b>7.0</b>	2.2
Reversals	<b>-</b>	(7.3)
<b>Balance at 31 December</b>	<b>52.2</b>	42.6

Provisions cover expected decommissioning, abandonment and exit costs arising from the Company's assets which are further explained in note 1.

**15. Interest bearing loans and net cash**

	1 Jan 2022 \$m	Discount unwind \$m	Repurchase \$m	Dividend paid \$m	Net other changes \$m	31 Dec 2022 \$m
2025 Bond 9.25% (non-current)	(269.8)	(2.5)	5.7	-	-	(266.6)
Cash	313.7	-	(6.0)	(47.9)	234.8	494.6
<b>Net cash</b>	<b>43.9</b>	<b>(2.5)</b>	<b>(0.3)</b>	<b>(47.9)</b>	<b>234.8</b>	<b>228.0</b>

At 31 December 2022, the fair value of the \$274 million of bonds held by third parties is \$257.6 million (2021: \$287.8 million).

The Company repurchased \$6 million of its existing \$280 million senior unsecured bond for an opportunistic acquisition at a price equal to 95% of the nominal amount that provided an attractive level of return.

The bonds maturing in 2025 have two financial covenant maintenance tests:

Financial covenant	Test	YE 2022	YE 2021
Equity ratio (Total equity/Total assets)	> 40%	56%	57%
Minimum liquidity	> \$30m	\$494.6m	\$313.7m

	1 Jan 2021 \$m	Discount unwind \$m	Buyback \$m	Dividend paid \$m	Net other changes \$m	31 Dec 2021 \$m
2022 Bond 10.0% (current)	(80.6)	(0.4)	81.0	-	-	-
2025 Bond 9.25% (non-current)	(267.7)	(2.1)	-	-	-	(269.8)
Cash	354.5	-	(81.0)	(44.4)	84.6	313.7
<b>Net cash</b>	<b>6.2</b>	<b>(2.5)</b>	<b>-</b>	<b>(44.4)</b>	<b>84.6</b>	<b>43.9</b>

In October 2020, the Company issued a new \$300 million senior unsecured bond with maturity in October 2025. The new bond has a fixed coupon of 9.25% per annum. In connection with the issue, the Company repurchased \$222.9 million of its existing \$300.0 million senior unsecured bond issue with maturity date in December 2022 at a price of 107 per cent. On 22 December 2020, the Company wrote to the Trustees confirming that they were exercising the right to call the remaining \$77.1 million of the 2022 bond at the call price of 105 per cent. This settlement completed on 8 January 2021.

**16. Financial Risk Management****Credit risk**

Credit risk arises from cash and cash equivalents, trade and other receivables and other assets. The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at 31 December was:

	2022 \$m	2021 \$m
Trade and other receivables	119.1	160.8
Cash and cash equivalents	494.6	313.7
	<b>613.7</b>	<b>474.5</b>

All trade receivables are owed by the KRG. Cash is deposited with major international financial institutions and the US treasury that are assessed as appropriate based on, among other things, sovereign risk, CDS pricing and credit rating.

**Liquidity risk**

The Company is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. At 31 December 2022 the Company had cash and cash equivalents of \$494.6 million (2021: \$313.7 million).

**Oil price risk**

The Company's revenues are calculated from netback price as further explained in note 1, and a \$5/bbl change in average netback price would result in a (loss) / profit before tax change of circa \$17 million.

**Currency risk**

Other than head office costs, substantially all of the Company's transactions are denominated and/or reported in US dollars. The exposure to currency risk is therefore immaterial and accordingly no sensitivity analysis has been presented.

**Interest rate risk**

The Company reported borrowings of \$266.6 million (2021: \$269.8 million) in the form of a bond maturing in October 2025, with fixed coupon interest payable of 9.25% on the nominal value of \$274.0 million. Although interest is fixed on existing debts, whenever the Company wishes to borrow new debt or refinance existing debt, it will be exposed to interest rate risk. A 1% increase in interest rate payable on a balance similar to the existing debts of the Company would result in an additional cost of circa \$3 million per annum.

**Capital management**

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's short-term funding needs are met principally from the cash flows generated from its operations and available cash of \$494.6 million (2021: \$313.7 million).

**Financial instruments**

All financial assets and liabilities are measured at amortised cost. Due to their short-term nature except interest bearing loans, the carrying value of these financial instruments approximates their fair value. Their carrying values are as follows:

	2022 \$m	2021 \$m
<b>Financial assets</b>		
Trade and other receivables	119.1	160.8
Cash and cash equivalents	494.6	313.7
	<b>613.7</b>	474.5
<b>Financial liabilities</b>		
Trade and other payables	78.4	92.4
Interest bearing loans	266.6	269.8
	<b>345.0</b>	362.2

**17. Share capital**

	Total Ordinary Shares
At 1 January 2021 – fully paid <sup>1</sup>	280,248,198
<b>At 31 December 2021, 1 January 2022 and 31 December 2022 – fully paid<sup>1</sup></b>	<b>280,248,198</b>

<sup>1</sup> Ordinary shares include 845,335 (2021: 1,946,084) treasury shares. Share capital includes 629,769 (2021: 559,216) of trust shares.

There have been no changes to the authorised share capital since it was determined to be 10,000,000,000 ordinary shares of £0.10 per share.

**18. Dividends**

	2022 \$m	2021 \$m
<i>Ordinary shares</i>		
Final dividend (2022: 12¢ per share, 2021: 10¢ per share)	33.4	27.9
Interim dividend (2022: 6¢ per share, 2021: 6¢ per share)	16.7	16.5
Total dividends provided for or paid	<b>50.1</b>	44.4
Paid in cash	47.9	44.4
Foreign exchange on dividend paid	2.2	-
Total dividends provided for or paid	<b>50.1</b>	44.4

**19. Right-of-use assets / Lease liabilities**

The Company's right-of-use assets are related to the Sarta early production facility, offices and car leases are included within property, plant and equipment.

	<b>Right-of-use assets \$m</b>
<b>Cost</b>	
At 1 January 2021	11.7
Additions	1.5
At 31 December 2021 and 1 January 2022	13.2
Disposals due to terminations	<b>(0.4)</b>
At 31 December 2022	<b>12.8</b>
<b>Accumulated depreciation</b>	
At 1 January 2021	(2.2)
Depreciation charge for the period	(2.9)
At 31 December 2021 and 1 January 2022	(5.1)
Depreciation charge for the period	<b>(3.7)</b>
At 31 December 2022	<b>(8.8)</b>
<b>Net book value</b>	
At 1 January 2021	9.5
At 31 December 2021	8.1
<b>At 31 December 2022</b>	<b>4.0</b>

	<b>2022</b>	2021
<b>Book value</b>	<b>\$m</b>	\$m
Offices	<b>1.8</b>	3.2
Cars	<b>0.2</b>	0.2
Production facility	<b>2.0</b>	4.7
Right-of-use assets	<b>4.0</b>	8.1

The weighted average lessee's incremental borrowing rate applied to the lease liabilities except Sarta early production facility was 2.5%. 4% was applied for the facility. The lease terms vary from one to five years.

	<b>2022</b>	2021
	<b>\$m</b>	\$m
At 1 January	<b>(8.3)</b>	(9.8)
Additions	-	(1.4)
Disposals due to terminations	<b>0.5</b>	-
Payments of lease liabilities	<b>3.8</b>	3.3
Interest expense on lease liabilities	<b>(0.1)</b>	(0.4)
At 31 December (note 12)	<b>(4.1)</b>	(8.3)

Included within lease liabilities of \$4.1 million (2021: \$8.3 million) are non-current lease liabilities of \$1.2 million (2021: \$4.9 million). The identified leases have no significant impact on the Company's financing, bond covenants or dividend policy. The Company does not have any residual value guarantees. The contractual maturities of the Company's lease liabilities are as follows:

	<b>Less than 1 year \$m</b>	<b>Between 1 - 2 years \$m</b>	<b>Between 2 - 5 years \$m</b>	<b>Total contractual cash flow \$m</b>	<b>Carrying Amount \$m</b>
<b>31 December 2022</b>	<b>(3.0)</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>(4.1)</b>
31 December 2021	(3.6)	(3.5)	(1.9)	(9.0)	(8.3)

## 20. Share based payments

The Company has five share-based payment plans under which awards are currently outstanding: a performance share plan (2011), performance share plan (2021), restricted share plan (2011), share option plan (2011), and deferred bonus plan (2021). The main features of these share plans are set out below.

Key features	PSP (2011)	PSP (2021)	DBP (2021)	RSP (2011)	SOP (2011)
Form of awards	Performance shares. The intention is to deliver the full value of vested shares at no cost to the participant (as conditional shares or nil-cost options).	Either Performance shares or restricted shares. The intention is to deliver the full value of vested shares at no cost to the participant (as conditional shares or nil-cost options).	Deferred bonus shares. The intention is to deliver the full value of shares at no cost to the participant (as conditional shares or nil-cost options).	Restricted shares. The intention is to deliver the full value of shares at no cost to the participant (as conditional shares or nil-cost options).	Market value options. Exercise price is set equal to the average share price over a period of up to 30 days to grant.
Performance conditions	Performance conditions will apply. Awards granted from 2017 are measured against relative and absolute total shareholder return ('TSR') measured against a group of industry peers over a three-year period.	Performance conditions may or may not apply. Awards granted with performance conditions are measured against relative and absolute TSR measured against a group of industry peers over a three-year period.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.	Performance conditions may or may not apply. For awards granted to date, there are no performance conditions.
Vesting period	Awards will vest when the Remuneration Committee determines whether the performance conditions have been met at the end of the performance period.	For awards subject to performance conditions, they will vest when the Remuneration Committee determines whether the performance conditions have been met at the end of the performance period. For awards that are not subject to performance conditions, awards typically vest in tranches over three years.	Awards typically vest after two years.	Awards typically vest in tranches over a three year vesting period	Awards typically vest after three years.
Dividend equivalents	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period and the period where the options have vested and have not yet been exercised (where applicable) may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period and the period where the options have vested and have not yet been exercised (where applicable) may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.	Provision of additional cash/shares to reflect dividends over the vesting period may or may not apply.

In 2022, awards were made under the performance share plan only. The numbers of outstanding shares as at 31 December 2022 are set out below:

	Share awards with performance conditions	Share awards without performance conditions	Priced options	Weighted avg. exercise price of priced options
Outstanding at 1 January 2021	10,047,042	2,160,256	87,824	817p
Granted during the year	2,982,524	369,108	-	-
Dividend equivalents	872,036	109,992	-	-
Forfeited during the year	(601,831)	(20,528)	-	-
Lapsed during the year	(1,284,140)	(37,123)	-	-
Exercised during the year	(2,783,799)	(1,136,871)	-	-
Outstanding at 31 Dec 2021 and 1 Jan 2022	9,231,832	1,444,834	87,824	817p
Granted during the year	2,549,151	505,645	-	-
Dividend equivalents	710,605	115,753	-	-
Forfeited during the year	(2,248,542)	-	-	-
Lapsed during the year	(2,555,194)	(125,326)	(33,967)	753p
Exercised during the year	(11,647)	(883,603)	-	-
<b>Outstanding at 31 December 2022</b>	<b>7,676,205</b>	<b>1,057,303</b>	<b>53,857</b>	<b>858p</b>

The range of exercise prices for share options outstanding at the end of the period is 742.00p to 1,046.00p.

Fair value of awards granted during the year has been measured by use of the Monte-Carlo pricing model. The model takes into account assumptions regarding expected volatility, expected dividends and expected time to exercise. Expected volatility was also analysed with the historical volatility of FTSE-listed oil and gas producers over the three years prior to the date of grant. The expected dividend assumption was set at 0%. The risk-free interest rate incorporated into the model is based on the term structure of UK Government zero coupon bonds. The inputs into the fair value calculation for PSP awards granted in 2022 and fair values per share using the model were as follows:

	PSP (without condition) 04/04/2022	PSP 04/04/2022	PSP (without condition) 08/09/2022	PSP 08/09/2022
Share price at grant date	186p	186p	137p	137p
Fair value on measurement date	186p	127p	137p	82p
Expected life (years)	1-3	1-3	1-3	1-3
Expected dividends	-	-	-	-
Risk-free interest rate	1.41%	1.41%	3.04%	3.04%
Expected volatility	39.76%	39.76%	41.42%	41.42%
Share price at balance sheet date	125p	125p	125p	125p
Change in share price between grant date and 31 December 2022	-33%	-33%	-9%	-9%

The weighted average fair value for RSP awards (without condition) granted in 2022 is 164p and for PSP awards granted in 2022 is 124p.

The inputs into the fair value calculation for RSP and PSP awards granted in 2021 and fair values per share using the model were as follows:

	RSP 06/04/2021	PSP 06/04/2021	RSP 07/09/2021	PSP 07/09/2021
Share price at grant date	173p	173p	122p	122p
Fair value on measurement date	173p	110p	122p	64p
Expected life (years)	1-3	1-3	1-3	1-3
Expected dividends	-	-	-	-
Risk-free interest rate	0.126%	0.126%	0.182%	0.182%
Expected volatility	48.19%	48.19%	45.63%	45.63%
Share price at balance sheet date	130p	130p	130p	130p
Change in share price between grant date and 31 December 2021	-25%	-25%	7%	7%

The weighted average fair value for RSP awards granted in 2021 is 169p and for PSP awards granted in 2021 is 109p.

Total share-based payment charge for the year was \$4.1 million (2021: \$5.5 million).

## 21. Capital commitments

Under the terms of its production sharing contracts ('PSC's) and joint operating agreements ('JOA's), the Company has certain commitments that are generally defined by activity rather than spend. The Company's capital programme for the next few years is explained in the operating review and is in excess of the activity required by its PSCs and JOAs.

## 22. Related parties

The directors have identified related parties of the Company under IAS 24 as being: the shareholders; members of the Board; and members of the executive committee, together with the families and companies, associates, investments and associates controlled by or affiliated with each of them. The compensation of key management personnel including the directors of the Company is as follows:

	2022	2021
	\$m	\$m
Board remuneration	0.8	1.0
Key management emoluments and short-term benefits	6.0	7.9
Share-related awards	1.0	7.4
	<b>7.8</b>	<b>16.3</b>

There have been no changes in related parties since last year and no related party transactions that had a material effect on financial position or performance in the year.

## 23. Events occurring after the reporting period

The Qara Dagh PSC has expired on 2 January 2023.

On 28 February 2023, a 'Petroleum Agreement and Association Contract' was signed with the Office National des Hydrocarbures et des Mines ('ONHYM') regarding the Lagzira block.

## 24. Subsidiaries and joint arrangements

The Company has four joint arrangements in relation to its producing assets Taq Taq, Tawke, Sarta and pre-production asset Qara Dagh. The Company holds 44% working interest in Taq Taq PSC and owns 55% of Taq Taq Operating Company Limited. The Company holds 25% working interest in Tawke PSC which is operated by DNO ASA. The Company holds 30% working interest in Sarta PSC which is operated by the Company in the year.

For the period ended 31 December 2022 the principal subsidiaries of the Company were the following:

Entity name	Country of Incorporation	Ownership % (ordinary shares)
Barrus Petroleum Cote D'Ivoire Sarl <sup>1</sup>	Cote d'Ivoire	100
Barrus Petroleum Limited <sup>2</sup>	Isle of Man	100
Genel Energy Africa Exploration Limited <sup>3</sup>	UK	100
Genel Energy Finance 4 plc <sup>3</sup>	UK	100
Genel Energy Gas Company Limited <sup>4</sup>	Jersey	100
Genel Energy Holding Company Limited <sup>4</sup>	Jersey	100
Genel Energy International Limited <sup>5</sup>	Anguilla	100
Genel Energy Miran Bina Bawi Limited <sup>3</sup>	UK	100
Genel Energy Morocco Limited <sup>3</sup>	UK	100
Genel Energy No. 6 Limited <sup>3</sup>	UK	100
Genel Energy Petroleum Services Limited <sup>3</sup>	UK	100
Genel Energy Qara Dagh Limited <sup>3</sup>	UK	100
Genel Energy Sarta Limited <sup>3</sup>	UK	100
Genel Energy Somaliland Limited <sup>3</sup>	UK	100
Genel Energy UK Services Limited <sup>3</sup>	UK	100
Genel Energy Yönetim Hizmetleri A.Ş. <sup>6</sup>	Turkey	100
Taq Taq Drilling Company Limited <sup>7</sup>	BVI	55
Taq Taq Operating Company Limited <sup>8</sup>	BVI	55

<sup>1</sup> Registered office is 7 Boulevard Latrille Cocody, 25 B.P. 945 Abidjan 25, Cote d'Ivoire

<sup>2</sup> Registered office is 6 Hope Street, Castletown, IM9 1AS, Isle of Man

<sup>3</sup> Registered office is Fifth Floor, 36 Broadway, Victoria, London, SW1H 0BH, United Kingdom

<sup>4</sup> Registered office is 12 Castle Street, St Helier, JE2 3RT, Jersey

<sup>5</sup> Registered office is PO Box 1338, Maico Building, The Valley, Anguilla

<sup>6</sup> Registered office is Vadi Istanbul 1 B Block, Ayazaga Mahallesi, Azerbaijan Caddesi, No:3 Floor: 18, 34396, Sariyer, Istanbul, Turkey

<sup>7</sup> Registered office is PO Box 146, Road Town, Tortola, British Virgin Islands

<sup>8</sup> Registered office is 3rd Floor, Geneva Place, Waterfront Drive, PO Box 3175, Road Town, Tortola, Virgin Islands, British

Genel Energy Finance 2 Limited was liquidated during the year.

## **25. Annual report**

Copies of the 2022 annual report will be despatched to shareholders in April 2023 and will also be available from the Company's registered office at 12 Castle Street, St Helier, Jersey JE2 3RT and at the Company's website – [www.genelenergy.com](http://www.genelenergy.com).

## **26. Statutory financial statements**

The financial information for the year ended 31 December 2022 contained in this preliminary announcement has been audited and was approved by the board on 21 March 2023. The financial information in this statement does not constitute the Company's statutory financial statements for the years ended 31 December 2022 or 2021. The financial information for 2022 and 2021 is derived from the statutory financial statements for 2021, which have been delivered to the Registrar of Companies, and 2022, which will be delivered to the Registrar of Companies and issued to shareholders in April 2023. The auditors have reported on the 2022 and 2021 financial statements; their report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The statutory financial statements for 2022 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Genel Energy plc are consistent with those set out in the 2021 annual report.