

# Half-Year Financial Report RAK Petroleum plc

30 June 2021



For further information on RAK Petroleum plc please visit our website at [www.rakpetroleum.uk](http://www.rakpetroleum.uk)

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# Chairman's Interim Report

## Dear Shareholders:

On behalf of the Board of Directors of RAK Petroleum plc ("RAK Petroleum", the "Company" or the "Parent"), I am pleased to present the Half-Year Financial Report for the period ended 30 June 2021.

The Company currently holds interests in two oil and gas companies (the "Investment Entities"): DNO ASA ("DNO") and Foxtrot International LDC ("Foxtrot International"). At 30 June 2021, the Company indirectly owned 44.94 percent of the total outstanding shares of DNO (including treasury shares) and indirectly owned 33.33 percent of Foxtrot International.

The Company and its wholly-owned subsidiaries have no direct production or expenditure in oil and gas assets. All production and expenditure in oil and gas assets is carried out through the Investment Entities.

## DNO

DNO is a Norwegian exploration and production company listed on the Oslo Børs (or Oslo Stock Exchange) and focused on the Middle East and North Sea regions. It has interests in oil and gas blocks in various stages of exploration, development and production, both onshore and offshore. DNO's growth comes through smart exploration, cost effective and fast track development, efficient operations and strategic acquisitions.

In the Kurdistan region of Iraq, DNO maintains its position as the largest oil producer among the international oil companies, with gross operated production from the Tawke licence containing the Tawke and Peshkabir fields averaging 111,140 barrels of oil per day ("bopd") in the first half of 2021, of which 83,355 bopd was net to DNO's interest. North Sea assets (DNO has production across 11 fields, of which eight are in Norway and three in the United Kingdom) contributed another 12,542 barrels of oil equivalent per day ("boepd") bringing total net DNO production across its portfolio to 95,897 boepd in the first half of the year.

DNO returned to profitability during the first half of 2021, following four consecutive quarters of losses in 2020 triggered by market perturbations from the COVID pandemic, reporting operating profit of USD 127.3 million for the half-year to 30 June 2021 compared to an operating loss of USD 92.3 million in the same period a year earlier. DNO's revenues of USD 354.1 million for the half-year 2021 (of which USD 264.6 million were from Kurdistan and USD 89.6 million from the North Sea) were up 22 percent from the same period a year earlier.

The turnaround was driven by solid production, higher oil prices and regularisation of payments from Kurdistan.

DNO exited the half-year with a cash balance of USD 454.2 million; partial bond redemptions brought its net interest-bearing debt to USD 396.2 million at midyear, the lowest level since year-end 2018.

DNO held interests in 91 licences across its portfolio at 30 June 2021 (25 operated), of which two are in Kurdistan, 74 in Norway, 11 in the United Kingdom, two in the Netherlands, one in Ireland and one in Yemen.

Further details on DNO's operations and its Half-Year 2021 Interim Results are available on its website. [www.dno.no](http://www.dno.no)

## Foxtrot International

Foxtrot International is a privately held exploration and production company active in West Africa. <http://www.foxtrot-international.com>

Foxtrot International operates Block CI-27 offshore Côte d'Ivoire containing the country's largest reserves of gas produced from four offshore fields tied back to two fixed platforms; sales averaged 176.9 million standard cubic feet per day ("mmscf/d") of gas in the first half of 2021 in addition to 1,501 bopd of oil and condensate.

Foxtrot International also operates an exploration licence offshore Côte d'Ivoire, Block CI-12, in which it holds a 24 percent interest.

In connection with the signature of amendments and extensions in early 2020 to the Block CI-27 gas sales and purchase agreement and the Production Sharing Contract, the Block CI-27 joint venture partnership has recently embarked on a two-year field development and onshore facilities construction project, now estimated to cost USD 350 million, to supply gas to new power stations. Cash flow from Foxtrot International is expected to fund these capital investments.

In the first half of 2021, the Company received USD 9.8 million in cash distributions from Foxtrot International, USD 4.9 million of which were reinvested towards maintenance, operating, capital and other expenditures.

### **Consolidated and Company Results**

As the consequence of the results of its Investment Entities, the Group recorded a consolidated net comprehensive profit attributable to equity holders of the Company of USD 55.7 million for the half-year to 30 June 2021 (net comprehensive loss of USD 131.8 million for the full-year 2020).

The Company recorded a net comprehensive loss of USD 0.1 million for the half-year to 30 June 2021 (USD 5.5 million loss for the full-year 2020).

Net equity at 30 June 2021 stood at USD 753.1 million compared with USD 697.3 million at 31 December 2020.

### **The Company**

The principal risks and uncertainties facing the Company remain largely unchanged from those flagged in our 2020 Annual Report.

The recent increase in oil and gas prices has had a positive impact on the Investment Entities' operations and financial results and consequently on the Group's financial results to date in

2021, but the extent and duration of these higher prices and the impact of the COVID pandemic over the longer term remain largely uncertain. Future oil and gas price assumptions are key to the Group's financial statements and a change in these assumptions may impact the recoverable amount of the Group's oil and gas assets, reserve and resource estimates, operational spend levels, financial covenants and distribution of future dividends. Low oil prices reduce the Group's revenues and increase the credit risk related to the Group's trade receivables. Correspondingly, there is also a risk of future impairments of the book value of the Group's assets.

The Company retains a small team of experienced operational, legal, commercial and financial professionals responsible for managing investments, screening new ventures, compliance with regulatory and listing requirements and shareholder relations.

In addition, the Company supports DNO and Foxtrot International through board positions and services agreements. I am privileged to serve as the Chairman of the Board of both Investment Entities.

On behalf of the Board of Directors, I wish to acknowledge executive management's and staff's diligence and continued commitment to the Company during these difficult times.

Finally, the members of the Board of Directors are grateful to our fellow RAK Petroleum shareholders for your continued support and confidence and invite you to visit our website ([www.rakpetroleum.uk](http://www.rakpetroleum.uk)) for updates on our activities.

### ***BIJAN MOSSAVAR-RAHMANI***

**Bijan Mossavar-Rahmani**  
Executive Chairman of the  
Board of Directors

6 August 2021

# I. Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- a) the Interim Consolidated and Parent Company Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and give a fair view of the Group's assets, liabilities, financial position and results for the period viewed in their entirety;
- b) the half-year financial report includes a fair review of any important events that arose during the six-month period and their effect on the Group and a description of the principal risks and uncertainties for the remaining six months of the year;
- c) the half-year financial report includes a fair disclosure of related parties' transactions and changes therein.

For and on behalf of the Board of Directors

**BIJAN MOSSAVAR-RAHMANI**

**Bijan Mossavar-Rahmani**

Executive Chairman of the Board of Directors

6 August 2021

# II. Interim Consolidated and Parent Company Financial Statements

At 30 June 2021

## Interim Consolidated Statement of Comprehensive Income

<i>USD million</i>	<i>Notes</i>	<b>1H 2021</b>	<b>1H 2020</b>
Revenues	4	354.1	277.7
Cost of goods sold	5	(172.4)	(292.8)
<b>Gross profit</b>		<b>181.7</b>	<b>(15.1)</b>
Share of profit of a Joint Venture	10	7.4	4.9
Other operating income		-	0.2
General and administrative expenses		(4.8)	(7.6)
Impairment of oil and gas assets	8	(12.6)	(40.8)
Exploration costs expensed	6	(37.4)	(31.8)
<b>Profit/(loss) from operating activities</b>		<b>134.4</b>	<b>(90.2)</b>
Financial income		17.9	4.7
Financial expenses		(66.8)	(70.6)
<b>Profit/(loss) before income tax</b>		<b>85.4</b>	<b>(156.1)</b>
Income tax expenses	7	29.8	54.7
<b>Net profit/(loss)</b>		<b>115.2</b>	<b>(101.4)</b>
<b>Other comprehensive income</b>			
Currency translation differences		(0.3)	(66.2)
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b>(0.3)</b>	<b>(66.2)</b>
Net fair value change from financial investments		-	-
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>		<b>114.9</b>	<b>(167.6)</b>
<b>Net profit/(loss) attributable to:</b>			
Equity holders of the parent		55.8	(44.6)
Non-controlling interest		59.4	(56.8)
<b>Net profit/(loss)</b>		<b>115.2</b>	<b>(101.4)</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of the parent		55.7	(74.3)
Non-controlling interest		59.2	(93.3)
<b>Total comprehensive income, net of tax</b>		<b>114.9</b>	<b>(167.6)</b>
<b>Earnings per share attributable to the equity holders of the parent during the half-year</b>			
Earnings per share, basic		0.102	(0.149)
Earnings per share, diluted		0.102	(0.149)

## Interim Consolidated Statement of Financial Position

USD million	Notes	30 June 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred income tax assets	7	43.8	47.4
Intangible assets	8	707.4	693.7
Property, plant and equipment	8	1,179.2	1,174.1
Investment in Joint Venture	10	79.3	76.8
Financial investments	11	-	-
Tax receivables	7	5.4	-
Other non-current assets		111.2	182.4
<b>Total non-current assets</b>		<b>2,126.3</b>	<b>2,174.4</b>
<b>Current assets</b>			
Inventories	5	32.3	41.9
Trade and other receivables	12	393.8	239.7
Tax receivables	7	105.0	63.1
Cash and cash equivalents		482.1	502.2
<b>Total current assets</b>		<b>1,013.2</b>	<b>847.0</b>
<b>Total assets</b>		<b>3,139.5</b>	<b>3,021.3</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	5.1	5.1
Share premium		0.7	0.7
General Reserve		761.8	761.9
Retained earnings		(14.6)	(70.6)
<b>Attributable to equity holders of the parent</b>		<b>753.1</b>	<b>697.3</b>
Attributable to non-controlling interest	9	518.0	458.6
<b>Total equity</b>		<b>1,271.1</b>	<b>1,155.9</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	14	821.7	934.2
Deferred income tax liabilities	7	237.4	178.8
Lease liabilities	15	18.1	13.9
Provisions for other liabilities and charges	15	418.3	440.2
<b>Total non-current liabilities</b>		<b>1,495.5</b>	<b>1,567.1</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	14	19.1	2.0
Trade and other payables		222.7	180.5
Income taxes payable	7	-	-
Current lease liabilities		17.8	3.8
Provisions for other liabilities and charges	15	113.3	112.0
<b>Total current liabilities</b>		<b>372.9</b>	<b>298.3</b>
<b>Total liabilities</b>		<b>1,868.3</b>	<b>1,865.4</b>
<b>Total equity and liabilities</b>		<b>3,139.5</b>	<b>3,021.3</b>

The Interim Consolidated and Parent Company Financial Statements in Section II were authorised for issue by the Board of Directors on 5 August 2021.

For and on behalf of the Board of Directors

**BIJAN MOSSAVAR-RAHMANI**

**Bijan Mossavar-Rahmani**

Executive Chairman of the Board of Directors

6 August 2021



## Interim Consolidated Statement of Cash Flows

USD million	Notes	1H 2021	1H 2020
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) before income tax		85.6	(156.1)
<b>Adjustments to add/(deduct) non-cash items:</b>			
Exploration cost capitalised in previous years carried to cost	6	-	0.4
Depreciation of property, plant and equipment	5	101.7	199.6
Impairment loss on oil and gas assets	8	12.6	40.8
Net interest accrual	10	36.8	43.1
Share of profit/(loss) of a Joint Venture	10	(7.4)	(4.9)
Other		13.6	(8.1)
<b>Changes in working capital and provisions:</b>			
- Inventories	5	9.6	(2.8)
- Trade and other receivables	12	(68.7)	60.4
- Trade and other payables		42.3	(25.3)
- Provisions for other liabilities and charges	15	1.6	12.0
<b>Cash generated from operations</b>		<b>227.7</b>	<b>159.2</b>
Income taxes received/(paid)	7	46.4	-
Interest received		0.7	1.6
Net interest paid		(38.7)	(44.5)
Payments for decommissioning		(44.6)	(23.9)
<b>Net cash from/(used) in operating activities</b>		<b>191.5</b>	<b>92.4</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of intangible assets	8	(16.0)	(31.5)
Purchases of tangible assets	8	(95.1)	(97.9)
Equity injection into Joint Venture	10	(4.9)	(1.7)
Dividends received from Joint Venture	10	9.8	9.0
<b>Net cash from/(used) in investing activities</b>		<b>(106.1)</b>	<b>(122.1)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	14	-	152.3
Repayment of borrowings	14	(102)	(167.5)
Paid dividend (non-controlling interest)		-	-
Payment of lease liabilities		(3.4)	(1.0)
Acquisition of non-controlling interest without change of control	9	-	(17.8)
<b>Net cash from/(used) in financing activities</b>		<b>(105.4)</b>	<b>(34.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(20.1)</b>	<b>(63.6)</b>
Cash and cash equivalents at beginning of the period		502.3	515.7
<b>Cash and cash equivalents at end of the period</b>		<b>482.2</b>	<b>452.1</b>
Of which restricted cash		<b>12.9</b>	<b>15.4</b>

## Interim Consolidated Statement of Changes in Equity

USD million	Share capital	Share premium	Treasury shares	Other reserves	Share-based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2020	5.1	0.7	(22.4)	813.5	-	-	(29.2)	(70.6)	697.3	458.6	1,155.9
Profit/(loss) for the period	-	-	-	-	-	-	-	55.8	55.8	59.4	115.2
Other comprehensive income for the period	-	-	-	-	-	-	(0.1)	-	(0.1)	(0.2)	(0.3)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>(0.1)</b>	<b>55.8</b>	<b>55.7</b>	<b>59.2</b>	<b>114.9</b>
Transactions with owners, recognised directly as equity											
<i>Changes in ownership interests in subsidiaries that do not result in a loss of control:</i>											
Acquisition of non-controlling interest without change of control	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>5.1</b>	<b>0.7</b>	<b>(22.4)</b>	<b>813.5</b>	<b>-</b>	<b>-</b>	<b>(29.4)</b>	<b>(14.6)</b>	<b>753.1</b>	<b>518.0</b>	<b>1,271.1</b>

USD million	Share capital	Share premium	Treasury shares	Other reserves	Share-based payment reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2019	5.1	0.7	(22.1)	813.5	-	-	(15.5)	48.8	830.5	634.3	1,464.8
Reallocation of equity*	-	-	-	-	-	-	(11.0)	11.0	-	-	-
Balance at 1 January 2020	5.1	0.7	(22.1)	813.5	-	-	(26.5)	59.8	835.5	698.4	1,533.9
Profit/(loss) for the period	-	-	-	-	-	-	-	(44.6)	(44.6)	(56.8)	(101.4)
Other comprehensive income for the period	-	-	-	-	-	-	(29.7)	-	(29.7)	(36.5)	(66.2)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>(29.7)</b>	<b>(44.6)</b>	<b>(74.3)</b>	<b>(93.3)</b>	<b>(167.6)</b>
Transactions with owners, recognised directly as equity											
<i>Changes in ownership interests in subsidiaries that do not result in a loss of control:</i>											
Acquisition of non-controlling interest without change of control	-	-	(0.3)	-	-	-	(0.2)	(1.0)	(1.5)	(16.3)	(17.8)
<b>Balance at 30 June 2020</b>	<b>5.1</b>	<b>0.7</b>	<b>(22.4)</b>	<b>813.5</b>	<b>-</b>	<b>-</b>	<b>(56.4)</b>	<b>14.2</b>	<b>754.7</b>	<b>524.8</b>	<b>1,279.3</b>

\* Reallocation of equity is related to a change in presentation of other comprehensive income by DNO. Total equity is unchanged.

## Interim Parent Company Statement of Financial Position

<i>USD million</i>	<i>Notes</i>	<b>30 June 2021</b>	<i>31 December 2020</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries		670.1	670.1
		<b>670.1</b>	<b>670.1</b>
<b>Current assets</b>			
Other receivables	12	0.1	0.3
Cash and cash equivalents		1.5	3.5
		<b>1.6</b>	<b>3.8</b>
<b>Total assets</b>		<b>671.6</b>	<b>673.8</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	5.1	5.1
Share premium		0.7	0.7
Other reserves		637.3	637.3
Accumulated profit/(losses)		28.5	28.6
<b>Total equity</b>		<b>671.5</b>	<b>671.6</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits		0.1	0.1
		<b>0.1</b>	<b>0.1</b>
<b>Current liabilities</b>			
Trade and other payables		-	0.1
Current interest-bearing liabilities	14	-	2.0
		-	<b>2.1</b>
<b>Total liabilities</b>		<b>0.1</b>	<b>2.2</b>
<b>Total equity and liabilities</b>		<b>671.6</b>	<b>673.8</b>

Consistent with the presentation of the full-year Parent Company Financial Statements, the Company has elected not to present the Company profit and loss account. The loss for the Company for the half-year was USD 0.1 million (USD 5.5 million loss for the full year 2020).

## Interim Parent Company Statement of Cash Flow

<i>USD million</i>	<i>Notes</i>	<b>1H 2021</b>	<b>1H 2020</b>
<b>Operating activities</b>			
Profit/(loss) for the period		(0.1)	(3.1)
Adjustments for:			
Depreciation of equipment		0.0	0.0
Provision		(0.0)	(0.0)
Operating profit before working capital changes		(0.1)	(3.1)
Other receivables		0.1	0.5
Trade and other payables		(0.0)	(0.4)
Net cash flows from operating activities		(0.0)	(3.0)
<b>Investing activities</b>			
Proceeds lent to subsidiary	14	-	-
Proceeds repaid by subsidiary	14	-	-
Net cash flows from investing activities		-	-
<b>Financing activities</b>			
Proceeds obtained from subsidiary	14	-	-
Proceeds repaid to subsidiary	14	-	(0.5)
Proceeds from borrowings	14	-	-
Repayment of borrowings	14	(2.0)	(9.0)
Acquisition of own shares	13	-	-
Net cash flows from financing activities		(2.0)	(9.5)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2.0)</b>	<b>(12.5)</b>
Cash and cash equivalents at 1 January		3.5	21.7
<b>Cash and cash equivalents at end of period</b>		<b>1.5</b>	<b>9.2</b>

## Interim Parent Company Statement of Changes in Equity

<i>USD million</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Other reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2021	5.1	0.7	637.3	28.6	671.6
Profit/(loss) for the period	-	-	-	(0.1)	(0.1)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	(0.1)	(0.1)
Acquisition of own shares	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>5.1</b>	<b>0.7</b>	<b>637.3</b>	<b>28.5</b>	<b>671.5</b>

<i>USD million</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Other reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2020	5.1	0.7	637.3	34.2	677.2
Profit/(loss) for the period	-	-	-	(3.1)	(3.1)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	(3.1)	(3.1)
Acquisition of own shares	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>5.1</b>	<b>0.7</b>	<b>637.3</b>	<b>31.1</b>	<b>674.1</b>

# Notes to the Interim Consolidated and Parent Company Financial Statements

At 30 June 2021

## 1. Corporate Information

RAK Petroleum plc (“RAK Petroleum” or the “Company”) is incorporated as a public limited company organised and existing under the laws of England and Wales pursuant to the UK Companies Act. The Company was incorporated on 17 June 2013 and the Company’s registration number is 08572925. The registered office of the Company is Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH, United Kingdom.

The Company is an energy investment company that currently owns two major assets:

- A block of 438,379,418 (unchanged from 2020) shares in DNO ASA (“DNO”) representing 44.94 percent of the total DNO shares outstanding at 30 June 2021. DNO and its subsidiaries (the “DNO Group”) are included in the Consolidated Financial Statements of the Group as a subsidiary for the half-year ended 30 June 2021, the year ended 31 December 2020 and the half-year ended 30 June 2020; and
- 100 percent ownership of Mondoil Enterprises, LLC (“Mondoil Enterprises”). Through this investment in Mondoil Enterprises, the Group holds a one-half stake in Mondoil Côte d’Ivoire LLC (“Mondoil Côte d’Ivoire”) which in turn holds a two-thirds ownership in Foxtrot International LDC (“Foxtrot International”), a privately held oil and gas company active in Côte d’Ivoire. Mondoil Côte d’Ivoire is included in the consolidated accounts of the Group as a Joint Venture for the half-year ended 30 June 2021, the year ended 31 December 2020 and the half-year ended 30 June 2020.

The Company’s Class A Shares have been listed on the Oslo Børs since 7 November 2014.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Interim Consolidated and Parent Company Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### Basis of preparation

The Interim Consolidated Financial Statements of the Group as well as the Parent Company Financial Statements of the Company for the six months ending 30 June 2021 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 *Interim Financial Reporting* as adopted by the European Union. These Interim Consolidated and Parent Company Financial Statements were not audited or reviewed.

These Interim Consolidated and Parent Company Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 30 March 2021 and delivered to the Registrar of Companies. The report of the auditors of those accounts was unqualified, did not contain an emphasis matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Interim Consolidated and Parent Company Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

## 2. Summary of Significant Accounting Policies (continued)

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

The accounting policies adopted in the preparation of the Interim Consolidated and Parent Company Financial Statements are consistent with those followed in the preparation of the Group's annual Consolidated and Parent Company Financial Statements for the year ended 31 December 2020.

The Interim Consolidated and Parent Company Financial Statements have been prepared on a going concern basis after consideration of the facts and circumstances relevant to the Company at 30 June 2021.

## 3. Segment Information

Executive management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation, investment decisions and performance assessment (the Executive Chairman of the Board of Directors acts as the Chief Operating Decision Maker). Segment performance is evaluated based on the profit or loss including share price and is measured consistently with the net profit or loss in the Consolidated Financial Statements.

### Operating and reportable segments

For management purposes, the Group is organised into two operating segments that are also reportable segments:

- DNO (Subsidiary)
- Foxtrot International (Joint Venture with interest held through Mondoil Enterprises' 50 percent ownership of Mondoil Côte d'Ivoire)

"Others" are reconciling items including head-office general and administrative transactions and balances that do not constitute separate operating segments.

The following tables include revenue, net profit and segment assets for the periods ended 30 June 2021 and 2020.

<i>USD million</i>	<i>DNO</i>	<i>Mondoil Côte d'Ivoire</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
<b>Period ended 30 June 2021</b>					
<b>Comprehensive income information</b>					
External sales	354.1	-	-	-	354.1
Cost of goods sold	(172.4)	-	-	-	(172.4)
Gross profit	181.7	-	-	-	181.7
Share of profit of a Joint Venture	-	7.4	-	-	7.4
<b>Segment net profit/(loss) from operating activities</b>	<b>127.0</b>	<b>7.4</b>	<b>(0.1)</b>	<b>-</b>	<b>134.4</b>
Net finance costs (incl. interest)	(48.9)	-	-	-	(48.9)
Tax income/(expense)	29.8	-	-	-	29.8
<b>Segment net profit/(loss)</b>	<b>107.9</b>	<b>7.4</b>	<b>(0.1)</b>	<b>-</b>	<b>115.2</b>
<b>Segment assets</b>	<b>2,827.1</b>	<b>79.3</b>	<b>251.1</b>	<b>(18.0)</b>	<b>3,139.5</b>
<b>Period ended 30 June 2020</b>					
<b>Comprehensive income information</b>					
External sales	277.7	-	-	-	277.7
Cost of goods sold	(292.8)	-	-	-	(292.8)
Gross profit	(15.1)	-	-	-	(15.1)
Share of profit of a Joint Venture	-	4.9	-	-	4.9
<b>Segment net profit/(loss) from operating activities</b>	<b>(92.3)</b>	<b>4.9</b>	<b>(2.8)</b>	<b>-</b>	<b>(90.2)</b>
Net finance costs (incl. interest)	(65.4)	-	(0.4)	-	(65.8)
Tax income/(expense)	54.7	-	-	-	54.7
<b>Segment net profit/(loss)</b>	<b>(103.0)</b>	<b>4.9</b>	<b>(3.2)</b>	<b>-</b>	<b>(101.4)</b>
<b>Segment assets</b>	<b>2,964.5</b>	<b>83.2</b>	<b>248.6</b>	<b>(10.6)</b>	<b>3,285.7</b>

## 4. Revenues

<i>USD million</i>	<b>1H 2021</b>	<i>1H 2020</i>
Oil sales	316.3	258.4
Gas sales	29.2	9.5
Natural gas liquids sales	7.4	7.2
Tariff income	1.2	2.5
<b>Total revenues</b>	<b>354.1</b>	<b>277.7</b>

## 5. Cost of Goods Sold/Inventory

<i>USD million</i>	<b>1H 2021</b>	<i>1H 2020</i>
Lifting costs	(92.0)	(98.2)
Tariff and transportation expenses	(17.0)	(18.4)
<b>Production cost based on produced volumes</b>	<b>(109.0)</b>	<b>(116.6)</b>
Movement in overlift/underlift	38.4	23.4
<b>Production cost based on sold volumes</b>	<b>(70.6)</b>	<b>(93.2)</b>
Depreciation, depletion and amortisation	(101.7)	(199.6)
<b>Total cost of goods sold</b>	<b>(172.4)</b>	<b>(292.8)</b>

Lifting costs consist of expenses related to the production of oil and gas, including operation and maintenance of installations, well intervention activities and insurances. Tariff and transportation expenses consist of charges incurred by the DNO Group for the use of infrastructure owned by other companies in the North Sea.

The decrease in depreciation, depletion and amortisation compared to prior year results from lower net entitlement volumes during the period from Kurdistan, lower net production from the North Sea and a decrease in the depreciation, depletion and amortisation per barrel following the annual update in reserves at year-end 2020 which are reflected prospectively.

<i>USD million</i>	<b>30 June 2021</b>	<i>31 December 2020</i>
Spare parts and drilling equipment	32.3	41.9
<b>Total inventory</b>	<b>32.3</b>	<b>41.9</b>

Total inventory of USD 32.3 million as of 30 June 2021 is related to Kurdistan (USD 16.5 million) and the North Sea (USD 15.8 million). The accounting provision for obsolete inventory was USD 20.4 million, of which USD 18.1 million was related to Kurdistan (unchanged from year-end 2020) and USD 2.3 million was related to the North Sea.

## 6. Exploration Expenses

<i>USD million</i>	<b>1H 2021</b>	<i>1H 2020</i>
Exploration expenses (G&G and field surveys)	(12.4)	(8.3)
Seismic costs	(15.2)	(0.9)
Exploration cost capitalised in previous years carried to cost	-	(0.4)
Exploration cost capitalised this year carried to cost	-	(10.6)
Other exploration cost expensed	(9.8)	(11.6)
<b>Total exploration cost expensed</b>	<b>(37.4)</b>	<b>(31.8)</b>

Total exploration expenses in the first half-year were mainly related to the purchase of seismic data and exploration activities in the North Sea.

## 7. Income Tax

<i>USD million</i>	<i>1H 2021</i>	<i>1H 2020</i>
<b>Income tax income/(expense)</b>		
Changes in deferred taxes	(64.5)	(32.1)
Income taxes receivable/(payable)	94.3	86.8
<b>Total tax income/(expense)</b>	<b>29.8</b>	<b>54.7</b>
<i>USD million</i>	<i>30 June 2021</i>	<i>31 December 2020</i>
<b>Income tax receivable/(payable)</b>		
Tax receivables (non-current)	5.4	-
Tax receivables (current)	105.0	63.1
Income tax payable	-	-
<b>Total tax receivable/(payable)</b>	<b>110.4</b>	<b>63.1</b>
<b>Deferred tax asset/(liability)</b>		
Deferred tax assets	43.8	47.4
Deferred tax liabilities	(237.4)	(178.8)
<b>Net deferred tax asset/(liability)</b>	<b>(193.6)</b>	<b>(131.4)</b>

The tax income, tax receivables and recognised deferred tax assets/liabilities relate to activity on the Norwegian Continental Shelf ("NCS") and the UK Continental Shelf ("UKCS"). Current tax receivables consist of tax value of incurred losses on the NCS for 2021 (USD 89.2 million) and decommissioning tax refund on the UKCS for 2020 (USD 15.8 million). Non-current tax receivable is related to decommissioning tax refund on the UKCS for 2021. During the first half-year of 2021, DNO has received tax refunds of USD 46.4 million in Norway in relation to tax losses incurred in 2020. The refund of tax losses on the NCS incurred in 2021 will be paid out in six installments every two months with the first installment of USD 38.0 million to be received on 1 August 2021. The decommissioning tax refund on the UKCS for 2020 is expected during the third quarter of 2021 and the refund for the spend in 2021 during the third quarter of 2022.

On 19 June 2020, the Norwegian Parliament approved certain time limited changes to the taxation of oil and gas companies operating on the NCS with effect from the income year 2020. The changes comprise of immediate expensing of investments in the special tax basis, increased uplift from 20.8 percent over four years to 24.0 percent in the first year and cash refund of tax value of losses incurred in the income years 2020 and 2021. The temporary changes will also apply to investments where the Plan for Development and Operation is delivered within 31 December 2022 and approved within 31 December 2023. The tax effects of these changes are recognised in the second quarter of 2020.

Under the terms of the Production Sharing Contracts in the Kurdistan region of Iraq, DNO's subsidiary, DNO Iraq AS, is not required to pay any corporate income taxes. The share of profit oil to which the government is entitled is deemed to include a portion representing the notional corporate income tax paid by the government on behalf of DNO. Current and deferred taxation arising from such notional corporate income tax is not calculated for Kurdistan as there is uncertainty related to the tax laws of the Kurdistan Regional Government and there is currently no well-established tax regime for international oil companies. This is an accounting presentational issue and there is no corporate income tax required to be paid.

Profits/(losses) by Norwegian companies from upstream activities outside of Norway are not taxable/deductible in Norway in accordance with the General Tax Act, section 2-39. Under these rules only certain financial income and expenses are taxable in Norway.



## 8. Other Intangible Assets/Property Plant and Equipment (“PP&E”)/Right-of-use (“RoU”) Assets

USD million	1H 2021	1H 2020
Additions of other intangible assets	16.0	31.5
Additions of PP&E	107.8	97.9
Additions of RoU assets	14.7	3.9
Impairment of oil and gas assets	(12.6)	(40.8)

Additions of other intangible assets are related to capitalised exploration costs, licence interests and administrative software. Additions of PP&E are related to development assets, production assets including changes in estimates of asset retirement obligations, and other PP&E. Additions of RoU assets are related to lease contracts under IFRS 16 Leases (presented as part of the PP&E balance sheet item), see also Note 15.

### Impairments

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Goodwill is tested for impairment annually or more frequently when there are impairment indicators. Impairment is recognised when the carrying amount of an asset or cash generating unit (“CGU”), including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset’s fair value less cost to sell and the value-in-use.

During the first half of 2020, the Group performed a calculation of the estimated recoverable amounts for its oil and gas assets, applying updated oil and gas price assumptions. In line with the Group’s methodology described in its annual report for 2020 and practice, the oil and gas price assumptions were updated based on the forward curve for 2021 and observable broker and analyst consensus for the next four years. From 2025, the oil and gas prices are based on DNO’s long-term price assumption, which is kept unchanged from year-end 2020 (oil price assumption USD 65 per barrel, real terms).

During the first half of 2021, a total impairment charge of USD 12.6 million (USD 2.8 million post tax) was recognised, driven by an upward revision in the cost estimate for decommissioning the Oselvar field.

### Impairments

(in USD million)	Income statement:				Balance sheet:				
	Recoverable amount (post-tax)	Impairment (charge)/ reversal (pre-tax)	Tax Income/ (expense)	Impairment (charge)/ reversal (post-tax)	Goodwill	Other intangible assets	Property, plant and equipment	Deferred tax asset/ (liability)	Currency effects
CGU, Segment									
Oselvar, North Sea	-	(12.6)	9.8	(2.8)	-	-	-	9.8	-
<b>Total</b>	<b>-</b>	<b>(12.6)</b>	<b>9.8</b>	<b>(2.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.8</b>	<b>-</b>

## 9. Material Partly Owned Subsidiary

The Group currently has the following investment in a Subsidiary which has a material non-controlling interest:

Subsidiary name	Country of incorporation	Percent ownership interest		Nature of Business
		30 June 2021	31 December 2020	
DNO ASA	Norway	44.94	44.94	Exploration and production company engaged in the acquisition, exploration, development and operation of oil and gas properties

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations. Changes in the Company's effective net ownership of DNO are a result of purchases or sales by DNO of non-controlling interest shares in DNO which have the effect of increasing or decreasing the Company's effective net ownership.

### Summarised statement of profit or loss

USD million	1H 2021	1H 2020
Revenue	354.1	277.7
Cost of goods sold	(172.4)	(292.8)
Other operating income	-	0.2
Administrative and other expenses	(4.7)	(4.8)
Impairment of oil and gas assets	(12.6)	(40.8)
Exploration costs expensed	(37.4)	(31.8)
Financial income and expense	(48.9)	(65.5)
Profit/(loss) before tax	78.3	(157.7)
Income tax expense	29.8	54.7
Profit/(loss) for the period as presented by DNO	108.1	(103.0)
<b>Total comprehensive income for the period as presented by DNO</b>	<b>113.2</b>	<b>179.7</b>

### Summarised statement of financial position

USD million	30 June 2021	31 December 2020
Cash and cash equivalents	454.2	477.1
Other current assets (excl. cash)	531.0	344.5
Non-current assets	1,841.9	1,887.1
Current liabilities	(372.8)	(296.1)
Non-current financial liabilities	(821.7)	(934.2)
Other non-current liabilities	(673.7)	(632.7)
<b>Equity at end of the period as presented by DNO</b>	<b>958.8</b>	<b>845.6</b>

### Summarised cash flow information

USD million	1H 2021	1H 2020
Net cash from/(used) in operating activities	236.3	119.3
Net cash from/(used) in investing activities	(155.8)	(153.3)
Net cash from/(used) in financing activities	(103.4)	(24.9)
Net increase/(decrease) in cash and cash equivalents	(23.0)	(59.0)
Cash and cash equivalents at beginning of the period	477.1	485.7
<b>Cash and cash equivalents at end of the period as presented by DNO</b>	<b>454.2</b>	<b>426.8</b>

### Goodwill and impairment assessment

Goodwill is the difference between the carrying value and the recorded net identifiable asset value of DNO at acquisition date. An impairment assessment is carried out at each year-end and at half-year if deemed justified. An impairment assessment carried out at 30 June 2021 concluded that no impairment was necessary.

## 10. Investment in a Joint Venture

### General information

The Group's subsidiary Mondoil Enterprises has a 50 percent equity interest in Mondoil Côte d'Ivoire, registered in the United States and a Joint Venture within the meaning of IFRS 11 (required to be equity accounted by the Group).

Mondoil Côte d'Ivoire has a 66.67 percent equity interest in Foxtrot International. Due to different voting and contractual rights, Foxtrot International is an Associate for Mondoil Côte d'Ivoire (required to be equity accounted by Mondoil Côte d'Ivoire). Mondoil Côte d'Ivoire has one-third of Foxtrot International's total shareholder votes and can appoint one-third of Foxtrot International's Board of Directors, but Mondoil Côte d'Ivoire is entitled to two-thirds of Foxtrot International's profit and liquidation proceeds.

Foxtrot International is a Cayman Islands company engaged in oil and gas exploration and production in Côte d'Ivoire. It owns a direct 24 percent interest in Block CI-27 (joint operation) and a 27.27 percent stake in Energie de Côte d'Ivoire SA (ENERCI), which owns an additional 12 percent interest in Block CI-27. Accordingly Foxtrot International has a 27.27 percent interest in Block CI-27 and the Group has an indirect 9.09 percent stake in this block. Foxtrot International also holds a 24 percent stake offshore Côte d'Ivoire in Block CI-12.

### Movement of investment carrying amount:

<i>USD million</i>	<i>1H 2021</i>	<i>1H 2020</i>
Opening balance 1 January	76.8	91.6
Group's share of adjusted profit – as accounted	7.4	4.9
Contributions via cash calls paid during the year	4.9	1.7
Dividends received during the year	(9.8)	(9.0)
<b>Interest in Joint Venture at end of the period</b>	<b>79.3</b>	<b>83.2</b>

## 11. Financial Investments

Financial investments are comprised of equity instruments and are recorded at fair value (market price, where available) at the end of the reporting period. Fair value changes are included in other comprehensive income.

<i>USD million</i>	<i>1H 2021</i>	<i>1H 2020</i>
Beginning of the period	-	-
Additions	-	-
Fair value changes through other comprehensive income	-	-
Disposal	-	-
<b>Total financial investments end of the period</b>	<b>-</b>	<b>-</b>

DNO has a total of 15,849,737 shares in RAK Petroleum plc. All shares have been acquired in open market transactions. The Company reclassifies these shares as treasury shares.

## 12. Trade and Other Short-term and Non-current Receivables

<i>USD million</i>	<b>30 June 2021</b>	<i>31 December 2020</i>
<i>Group</i>		
Trade debtors (non-current portion)	108.2	182.0
Other non-current receivables	3.0	0.4
<b>Total other non-current receivables</b>	<b>111.2</b>	<b>182.4</b>
<i>Group</i>		
Trade debtors	216.9	96.2
Underlift	59.6	27.4
Other short-term receivables	117.3	116.0
<b>Total trade and other receivables</b>	<b>393.8</b>	<b>239.7</b>
<i>USD million</i>		
<i>Company</i>		
Amounts due from DNO subsidiary	0.0	0.1
Amounts due from other subsidiaries	0.1	0.1
Other	0.0	0.0
	<b>0.1</b>	<b>0.2</b>

The book value of trade debtors of USD 325.1 million (current and non-current portion) at 30 June 2021 relates mainly to the Tawke licence arrears for 2019 and 2020 entitlement and override invoices (USD 216.0 million), and outstanding invoices for Tawke licence crude oil deliveries for the months May and June 2021 (USD 99.6 million).

In December 2020, a plan was put in place by the KRG to pay the international oil companies operating in Kurdistan 50 percent of incremental revenue in any month in which Brent prices exceed USD 50 per barrel on average towards the arrears for 2019 and 2020. In May 2021, the KRG informed the international oil companies of revised terms reducing the payment of the withheld amounts to 20 percent of the incremental revenue in any month in which Brent prices exceed USD 50 per barrel on average. The KRG also advised that all international oil company invoices, including towards the arrears, will be settled within 60 days of receipt. Despite the revised payment plan, the Company continues to expect at a minimum to recover the full nominal value of the withheld receivables, including but not limited to interest payments reflecting the Company's cost of debt. In the first half of 2020, DNO received a total of USD 36.0 million in payments against the arrears.

At year-end 2020, due to the IFRS 9 requirement to incorporate the time value of money, DNO reduced the book value of these receivables by USD 16.0 million when comparing the book value of the arrears to the estimated present value. At June 2021, in line with IFRS 9, DNO made a re-run of the estimate present value with the revised payment terms, updated Brent price assumptions and other considerations resulting in a net increase in the book value of the arrears by USD 9.0 million year to date. Moreover, the classification of the receivables (current/non-current portion) was updated accordingly. The calculation of present value in accordance with IFRS 9 takes into account the most recent production forecasts for the Tawke licence and the probability-weighted amount for a range of possible scenarios including probability-weighted Brent price assumptions with a probability assigned to each. The discount rate that is applied reflects DNO's cost of debt.

Subsequent to 30 June 2021, DNO has received USD 56.9 million net to DNO from the KRG, see Note 16 for further details.

The underlift receivable of USD 59.6 million at 30 June 2021 relates mainly to the underlift volumes in DNO's North Sea assets, valued at the lower of production cost including depreciation and market value at the balance sheet date, which will be realised based on market value when the volumes are lifted. Other short-term receivables mainly relate to items of working capital in DNO's Kurdistan and North Sea licences and accrual for earned income not invoiced in the North Sea.

Amounts due from DNO are unsecured and have a 30-day credit term. Amounts due from subsidiaries are repayable on demand, expected to be settled in 2021, unsecured and interest free. No amounts are past due nor impaired.

### 13. Share Capital

The Company had the following shares issued at 30 June 2020:

	<i>Par value</i>	<b>30 June 2021</b> <b>Number of shares</b>	<i>31 December 2020</i> <i>Number of shares</i>
Class A Shares	GBP 0.01 (PY 1.00)	194,448,040	194,448,040
Restricted Class A Shares	GBP 0.001 (PY 1.00)	117,683,332	117,683,332
<i>Total Class A</i>		312,131,372	312,131,372
Class B Shares	GBP 0.0000001	117,683,332	117,683,332
Class C Shares	GBP 0.0000001	87,488,693	87,488,693
Preference shares	GBP 1.00	50,000	50,000

All shares are fully paid.

Transfers of Restricted Class A Shares are limited to certain permitted transferees set forth in the Company's Articles of Association -- essentially, related parties or charities. Transfers to non-permitted transferees give rise to loss of the associated Class B Share voting rights. Because they have the same rights to participate in profits as Class A Shares, Restricted Class A Shares are not treated as a class separate from Class A Shares for accounting purposes.

Key rights attached to each class of shares are as follows:

	<i>Restricted Class A share</i>	<i>Class A share</i>	<i>Class B share</i>	<i>Class C share</i>	<i>Preference share</i>
Right to vote	one vote	one vote	two votes	none	none
Right to participate in profits	yes	yes	none	none	none

The preference shares are classified as equity.

### 14. Interest-bearing Liabilities

<i>USD million</i>	<i>Ticker OSE</i>	<i>Currency</i>	<i>Amount</i>	<i>Interest</i>	<i>Maturity</i>	<i>Carrying amount</i>	
						<b>30 June 2021</b>	<i>31 December 2020</i>
<b>Interest-bearing liabilities:</b>							
<b>Non-current</b>							
Bond loan (ISIN NO0010823347)	DNO02	USD	300.0	8.75%	31/05/2023	300.0	400.0
Bond loan (ISIN NO0010852643)	DNO03	USD	400.0	8.375%	29/05/2024	400.0	400.0
Borrowing issue costs		-	-			(9.7)	(15.4)
Reserve based lending facility		USD	350.0	See below	07/11/2026	131.3	149.6
<b>Total non-current interest-bearing liabilities</b>						<b>821.7</b>	<b>934.2</b>
<b>Current</b>							
Exploration financing facility		NOK	250.0	See below	See below	-	-
Reserve based lending facility		USD	350.0	See below	07/11/2026	19.1	-
Mashreq loan		AED	-	-	-	-	2.0
<b>Total current interest-bearing liabilities</b>						<b>19.1</b>	<b>2.0</b>
<b>Total interest-bearing liabilities</b>						<b>840.7</b>	<b>936.2</b>

## 14. Interest-bearing Liabilities (continued)

### Changes in liabilities arising from financing activities split on cash and non-cash changes

USD million	Total at 31 December 2020	Cash flows	Non-cash changes			Total at 30 June 2021
			Amortisation	Currency	Reclassification	
<b>Group</b>						
Bond loan	800.0	(100.0)	-	-	-	700.0
Borrowing issue costs	(15.0)	-	5.8	-	-	(9.7)
Reserve-based lending facility	149.6	-	-	0.8	(19.1)	131.3
Reserve-based lending facility (current)	-	-	-	-	19.1	19.1
Mashreq loan	2.0	(2.0)	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>936.2</b>	<b>(102.0)</b>	<b>5.8</b>	<b>0.8</b>	<b>-</b>	<b>840.7</b>
<b>Company</b>						
Mashreq loan	2.0	(2.0)	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>2.0</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Mashreq Loan

During 2016, the Group negotiated a loan facility with Mashreq Bank of USD 32.7 million at the three-month Emirates Interbank Offered Rate ("EIBOR") plus 4.0 percent. Quarterly repayments of principal began 15 months after the start date of the loan and ended in February 2021 after a pre-payment of AED 18 million made in April 2020 reduced the loan payment duration from November 2021 to February 2021.

#### Bond Loans

Details regarding bonds issued by DNO or its subsidiaries can be found in the table above. Facility amount is shown net of bonds held by DNO or its subsidiaries. The financial covenants of the bonds issued by DNO require a minimum USD 40 million of liquidity and that the DNO Group maintains either an equity ratio of 30 percent or a total equity of USD 600 million.

During the second quarter of 2021, DNO redeemed USD 100 million of the DNO02 bond at a price of 103.5 percent of par plus accrued interest.

#### Exploration financing facility

The DNO Group has available a revolving exploration financing facility ("EFF") in an aggregate amount of NOK 250 million with an uncommitted accordion option of NOK 750 million. The interest rate equals the three-months Norwegian Interbank Offered Rate ("NIBOR") plus a margin of 1.7 percent. Utilisations can be made until 31 December 2022. Due to temporary changes to the taxation of oil and gas companies in Norway, the Group has chosen not to utilise the EFF in relation to exploration spend in 2021.

#### Reserve-based lending facility

The DNO Group has a reserve-based lending ("RBL") facility in relation to its Norway and United Kingdom licences with a total facility amount of USD 350 million which is available for both debt and issuance of letters of credit. In addition, there is an accordion option of USD 350 million. Interest charged on utilisations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 2.75 to 3.25 percent. The facility will amortise over the loan life with a final maturity date of 7 November 2026.

#### Intercompany Loans

All intercompany loan receivables and liabilities are repayable on demand, unsecured and interest free.

## 15. Provisions for Other Liabilities and Charges/Lease Liabilities

The Company currently has no provisions except for USD 0.1 million for employee end-of-service benefits.

DNO reported the following provisions at 30 June 2021:

<i>USD million</i>	<i>30 June 2021</i>	<i>31 December 2020</i>
<b>Non-current</b>		
Asset retirement obligations	414.0	436.6
Other long-term provisions and charges	4.1	3.4
Lease liabilities	18.1	13.9
<b>Total non-current provisions for other liabilities and charges and lease liabilities</b>	<b>436.3</b>	<b>453.9</b>
<b>Current</b>		
Asset retirement obligations	87.0	86.7
Other provisions and charges	26.3	25.3
Current lease liabilities	17.8	3.8
<b>Total current provisions for other liabilities and charges</b>	<b>131.1</b>	<b>115.8</b>
<b>Total provisions for other liabilities and charges</b>	<b>567.4</b>	<b>569.7</b>

### Asset Retirement Obligations

The provisions for asset retirement obligations are based on the present value of the estimated future cost of decommissioning oil and gas assets in Kurdistan and the North Sea. The discount rates before tax applied to the future costs were between 3.2 percent and 3.7 percent.

### Non-cancellable Lease Commitments

The identified lease liabilities have no significant impact on the DNO Group's financing, loan covenants or dividend policy. The DNO Group does not have any residual value guarantees. Extension options are included in the lease liability when, based on management's judgment, it is reasonably certain that an extension will be exercised.

In the second quarter, the DNO Group entered into a rig lease agreement to perform decommissioning, plugging and abandonment at the Schooner and Ketch fields in the UK part of the North Sea. According to the planned use of the related lease asset the duration for the decommissioning project is estimated to last longer than 12 months. The Group has therefore recognised the lease liability on a gross basis, rather than its working interest share (60 percent). Total value of the lease liability recognised at commencement date was USD 22.7 million.

Non-lease components are not included as part of the lease liabilities.

<i>USD million</i>	<i>30 June 2021</i>	<i>31 December 2020</i>
Within one year	18.9	4.7
Two to five years	19.0	13.8
After five years	0.6	1.1
<b>Total undiscounted lease liabilities</b>	<b>38.4</b>	<b>19.6</b>

The above table summarises the DNO Group's maturity profile of lease liabilities based on contractual undiscounted payments and are related to rig lease, office rent and equipment.

## 16. Related Party Disclosures

Transactions with related parties were carried out in the normal course of business on terms agreed between the parties.

The Group has no (ultimate) controlling company/party.

Related party transactions occur between DNO and the Company. DNO and the Company entered into a Service Agreement whereby DNO reimburses the Company for work carried out on behalf of DNO and travel expenses incurred on behalf of DNO. In the half-year to 30 June 2021, DNO paid nil to the Company under the Service Agreement as the full amount for the year is anticipated to be invoiced at year-end. Foxtrot International and the Company entered into a Service Agreement in 2020 whereby Foxtrot International reimburses the Company for work carried out in relation to the assets of Foxtrot International. In the half-year to 30 June 2021, Foxtrot International paid nil to the Company under the Service Agreement as the full amount for the year is anticipated to be invoiced at year-end.

## 17. Events After the Reporting Period

The following events occurred after the reporting period:

### **Payments from Kurdistan**

Since the reporting date, DNO received USD 56.9 million net to DNO from the KRG, of which USD 42.0 million represents DNO's entitlement share of May 2021 crude oil deliveries to the export market from the Tawke licence in Kurdistan. Of the balance, USD 5.6 million is an override payment equivalent to three percent of gross May 2021 Tawke licence revenues under the August 2017 receivables settlement agreement and USD 9.3 million is a payment towards DNO's arrears relating to withheld payment of Tawke licence 2019 and 2020 entitlement and override invoices.

### **DNO doubles stake, declares commerciality at Kurdistan Baeshiqa Licence**

DNO also announced, on 3 August 2021, that the KRG had approved DNO's acquisition of ExxonMobil's remaining 32 percent interest in the Baeshiqa licence, doubling DNO's stake. In parallel, commerciality has been declared on the licence with plans submitted for fast-track development including early production from previously drilled but suspended wells.



