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Cabinet approval of the El Fayum Amendment

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

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Pharos Energy plc, an independent oil and gas exploration and production company, is pleased to announce Egyptian Cabinet approval* of the Third Amendment of its El Fayum Concession Agreement. The approved terms, already announced on 30 March 2021, include both an increase of the cost recovery petroleum percentage and an extension of the exploration term of three-and-a-half years.

*as announced on the website of the Prime Minister of Egypt.

Ed Story, President and Chief Executive Officer, commented:

"We are delighted that the El Fayum Third Amendment has been approved by the Egyptian Cabinet, which encourages investment into this Concession to increase production rates for the mutual benefits of Egypt and Pharos and our partners. The enhancements enshrined in the Third Amendment are set to deliver a lower break-even price per barrel and enhanced, earlier cash flow from the producing fields. Approval of this Amendment will now move forward to its final phase, ratification by the Parliament and signature of the President."

The Prime Ministerial announcement stated that, in its meeting on Thursday 28 October, the Egyptian Cabinet approved amendments to the fiscal terms of five petroleum concession agreements, including El Fayum. These amendments are designed to encourage new investments in existing exploration and development areas, aimed at maintaining and increasing production rates and optimising resources, to the mutual benefit of Egypt and the international companies.

The El Fayum Third Amendment agreement, which includes an increase of the cost recovery petroleum percentage and a three-and-a-half-years extension to the exploration licence term, was approved by the Egyptian General Petroleum Corporation's (EGPC) Main Board in March 2021. The Cabinet approval obtained on Thursday is a key milestone in the process towards Parliamentary approval, before final Presidential ratification and signature of the Third Amendment by all relevant parties.

The improved fiscal terms are backdated to November 2020, increasing the contractor share of revenue from c.42% to c.50% and lowering the development project break-even while in full cost recovery mode.

Ratification of the El Fayum Third Amendment is one of the condition precedents to the farm-out of a 55% share of Pharos' interest in the El Fayum Concession and the North Beni Suef Concession to IPR, as announced on 15 September 2021.

The UK Circular for this farm-out transaction will soon be posted out to shareholders. The Pharos shareholder vote on the IPR transaction is still anticipated prior to year-end.

Enquiries

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Notes to editors

Pharos Energy plc is an independent oil and gas exploration and production company with a focus on sustainable growth and returns to stakeholders, which is listed on the London Stock Exchange. Pharos has production, development and/or exploration interests in Egypt, Vietnam and Israel. In Egypt, Pharos holds a 100% working interest in the El Fayum oil Concession in the Western Desert. The Concession produces from 10 fields and is located 80 km southwest of Cairo. It is operated by Petrosilah, a 50/50 JV between Pharos and the Egyptian General Petroleum Corporation (EGPC). Pharos is also an operator with a 100% working interest in the North Beni Suef (NBS) Concession, which is located immediately south of the El Fayum Concession. In Vietnam, Pharos has a 30.5% working interest in Block 16-1 which contains 97% of the Te Giac Trang (TGT) field and is operated by the Hoang Long Joint Operating Company. Pharos' unitised interest in the TGT field is 29.7%. Pharos also has a 25% working interest in the Ca Ngu Vang (CVN) field located in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Blocks 16-1 and 9-2 are located in the shallow water Cuu Long Basin, offshore southern Vietnam. Pharos also holds a 70% interest in and is designated operator of Blocks 125 & 126, located in the moderate to deep water Phu Khanh Basin, north east of the Cuu Long Basin, offshore central Vietnam. In Israel, Pharos, together with Cairn Energy plc and Israel's Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Cairn is the operator.