13 January 2021
Trading and Operations Update

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

Trading and Operations Update January 2021

Pharos Energy plc, an oil and gas exploration and production company, issues the following trading and operations update to summarise recent operational activities and to provide trading guidance in respect of the financial year to 31 December 2020. This is in advance of the Company's Preliminary results. The information contained herein has not been audited and may be subject to further review and amendment.

Summary

- Group working interest 2020 production 11,373 boepd net, in line with production guidance:
  - Egypt production 5,270 bopd
  - Vietnam production 6,103 boepd net
- Egypt 2P reserves expected to be upgraded by approx.40%
- TGT drilling programme start date brought forward from Q4 to Q3 2021
- Two year field licence extensions for TGT and CNV formally granted by the Ministry of Industry and Trade in Vietnam
- Cash balances as at 31 December 2020 were approx. $24m; net debt $33m
- Group revenue for 2020 was c.$140m, including the benefit of our hedges of $23m
- Vietnam revenues for the year were c. $87m
- The average realised oil price per barrel from Vietnam was just under $45/bbl, representing a premium to Brent of just over $3/bbl
- Egyptian revenues for the year were circa $30m*
- The average realised oil price per barrel from Egypt achieved was approx. $37/bbl, representing a discount to Brent of circa $4/bbl
- Cash cost savings on total group expenditure for the year of c.23% against the budget. Group reduction of G&A costs 35%

* Egyptian revenues are given post government take including corporate taxes.

Egypt resources upgrade

McDaniel & Associates (a third-party reserves auditing company) is certifying 2020 year-end reserves which include improved waterflood performance based on recent field data, and a new drilling and workover plan for 2021 onwards based on an enhanced field development plan created by the company and ERCe. An upgrade of approx.40% in the proven and probable (2P) reserves is expected in the El Fayum concession.

Egypt Farm-out

The Company has engaged Jefferies to conduct a formal farm-out process for the Company's assets in Egypt. Discussions are ongoing with potential industry partners for our Egyptian operations and the Company is encouraged by the level of interest.

Operations Update

Egypt

El Fayum Production

Production for 2020 from the El Fayum Concession averaged 5,270 bopd. This is in line with the Egypt 2020 production guidance given on 12 May 2020 of 5,000-6,000 bopd.

El Fayum Development and Operations

Prior to the COVID-19 pandemic and the oil price shock, three drilling rigs and three workover rigs were operating through Q1 2020. Seven wells (five producers and two injectors) were drilled through to April 2020 in El Fayum.

Due to the uncertain macro-economic environment resulting from the global impact of COVID-19 and the oil price shock, the discretionary drilling programme in Egypt was scaled back to preserve capital with termination notices issued on five of the six rigs retaining just one workover rig, on a call out contract, for ongoing maintenance. Production operations in the field since, have been centred on well maintenance interventions and water-flood implementation. During the hiatus in drilling operations, Pharos has:

- Benefited from improved commercial terms with EGPC regarding the Western Desert discount and negotiated a reduction on the El Fayum discount. The Western Desert discount reduced in stages, from a high of $2.90/bbl in April to $0.60/bbl by

October. In addition, we have agreed reductions with EGPC, effective 1 August 2020, on both the price discount applied specifically to the El Fayum crude ($1/bbl reduction) and on the crude handling fees paid at the refinery ($0.80/bbl reduction). Both of these reductions are in place for an initial period of six months while the Company continues its joint review with EGPC on the specification of the crude oil, on which the discount and fees are applied.

- Progressed negotiations with EGPC concerning potential improvements in the Concession Agreement terms in order to support a return to operational investment. If successful, these negotiations could lead to an improvement of up to $6/bbl in the breakeven price. These discussions with EGPC should be seen in the context of the positive progress made by certain other companies in the region.

- Reprocessed the 3D seismic data across El Fayum, for better subsurface definition.

- Conducted a waterflood evaluation for the phase implementation of a secondary recovery programme.

- Updated the sub-surface static model and creating field dynamic models to optimise the location of future wells, both oil producers and water injectors, as the development programme is implemented.

Vietnam

Vietnam Production

Production in 2020 from the TGT and CNV fields net to the Group's working interest averaged 6,103 boepd. This is in line with the 2020 production guidance of 5,500 to 6,500 boepd.

TGT production averaged 15,296 boepd gross and 4,547 boepd net to Pharos. CNV production averaged 6,223 boepd gross and 1,556 boepd net to Pharos.

Vietnam Development and Operations

Block 9-2 – CNV Field

As planned, no drilling activities took place on CNV for 2020. Operations on CNV focused on routine well maintenance.

Block 16-1 – TGT Field

Production wells

The last well from the 2019 drilling campaign, TGT-15X, spudded on 28 February 2020 and is producing from both the upper and deep sections. The well was drilled within budget. No further drilling activity occurred during 2020. Operations on TGT focussed on proactively managing the existing reservoirs and optimising production from the existing wells, principally through well interventions and gas lift optimisation.

TGT FPSO Compressors and Tie-In Agreement

The upgrade work to the Gas Turbine compressors for the Leased FPSO was completed in April 2020 ahead of schedule and under budget.

The third-party Tie In Agreement (TIA) between the HLJOC and the current counterparty, Thang Long Joint Operating Company (TLJOC) terminated in 2018. The cost sharing elements have been finalised, but negotiations continue regarding TLJOC'S rights of access to the HLJOC's production facilities and FPSO.

TGT Full Field Development Plan

As announced in September 2020 the Joint Operating Company (JOC), received approval from the Prime Minister of Vietnam for the TGT Full Field Development Plan (FFDP), the last stage in the approval process. The FFDP includes drilling six new producer wells. This sequential infill-drilling programme is targeted to increase gross production at TGT from the present ~15,000 boepd to around 20,000 boepd in 2022. The JOC has approved the drilling of four development wells in the 2021 budget cycle and ordering of long-lead items has begun to enable the commencement of drilling in Q3 2021, a quarter earlier than previously announced. The remaining two wells shall be proposed in the next budget cycle for drilling in 2022.

PHAROS ENERGY

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Vietnam License extensions
As previously announced, two year extensions to both the TGT and CNV field licences were formally granted by the Ministry of Industry and Trade in Vietnam. The TGT licence now runs to 7 December 2026 and the CNV licence now runs to 15 December 2027. A further licence extension for both TGT and CNV will be pursued in due course in accordance with the licence terms.

Exploration

Exploration drilling activity is currently on hold while the Company focuses on development, production, and cash flow.

Egypt - North Beni Suef (NBS)
During 2020, work focused on technical and investigative work on wells previously drilled on the concession. Interpretation of the large pre-existing 3D seismic survey on the NBS concession continues and a number of low-risk prospects and potential producing field extensions extending from third party Development Leases to NBS area have been identified.

Vietnam - Blocks 125 & 126
Numerous prospect and leads have been identified on Blocks 125 & 126 using the acquired 2D seismic, gravity and magnetic data. A 3D seismic survey(s) is planned over high graded leads.

Israel - Zones A and C
The work programme commitment for 3.5 years is to reprocess all of the existing 3D seismic vintages previously acquired across the eight licences by various contractors, in order to provide a uniform data set.

Financial Update

Cash balances as at 31 December 2020 were approximately $24m, which includes $57m drawn from the RBL, with revenues for January-December 2020 of circa $117m plus $23m from hedging.

Hedging and revenues
The Group's hedging positions have provided solid protection in the period with a realised gain of $23m. Approximately 41% of the Group's forecast production until December 2021, is hedged at an average price of $45 /bbl.

Group revenues to 31 December 2020 were $117m plus $23m from hedging. The average realised oil price per barrel achieved for the same period from Vietnam was $45/bbl representing a premium of just over $3/bbl to Brent and for Egypt approx. $37/bbl, representing a discount of approx. $4/bbl to Brent

Net cash/debt
As at 31 December 2020, $57m was drawn under the group's borrowing facilities and there was cash of $24m, giving a net debt figure of $33m.

Cost savings
Cash cost savings on total group expenditure for the year of approx. 23% and G&A costs for 2020 have reduced by 35% against budget, including a 25% reduction on Board fees for all Non-Executive Directors for 2020 and on all remuneration for Executive Directors effective 1 May. No bonuses were paid in 2020.

RBL
The scheduled half-yearly redetermination of the Reserve Based Lending Facility (RBL) over the Group's producing assets in Vietnam was completed at the end of 2020. A repayment of $0.9m has now been made in accordance with the redetermination and, the Borrowing Base amount currently stands at $56m.

Enquiries

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Notes to editors

Pharos Energy plc is an independent oil and gas exploration and production company with a focus on sustainable growth and returns to stakeholders, headquartered in London and listed on the London Stock Exchange.

Pharos has production, development and/or exploration interests in Egypt, Israel and Vietnam.

In Egypt, Pharos holds a 100% working interest in the El Fayum oil Concession in the Western Desert. The Concession produces from 10 fields and is located 80 km south west of Cairo. It is operated by Petrosilah, a 50/50 JV between Pharos and the Egyptian General Petroleum Corporation (EGPC). Pharos is also an operator with a 100% working interest in the North Beni Suef (NBS) Concession, which is located immediately south of the El Fayum Concession.

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

In Vietnam, Pharos has a 30.5% working interest in Block 16-1 which contains 97% of the Te Giac Trang (TGT) field and is operated by the Hoang Long Joint Operating Company. Pharos' unitised interest in the TGT field is 29.7%. Pharos also has a 25% working interest in the Ca Ngu Vang (CVN) field located in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Blocks 16-1 and 9-2 are located in the shallow water Cuu Long Basin, offshore southern Vietnam. Pharos also holds a 70% interest in and is designated operator of Blocks 125 & 126, located in the moderate to deep water Phu Khanh Basin, north east of the Cuu Long Basin, offshore central Vietnam.