

14 July 2021
Trading and Operations Update

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

Trading and Operations Update

Pharos Energy plc, an independent oil and gas exploration and production company, issues the following Trading and Operations update in advance of the Company's half-year results on 15 September 2021. The information contained herein has not been audited and may be subject to further review and amendment.

Ed Story, President and Chief Executive Officer, commented:

"I am pleased to be able to report a period of progress for the Group. In Vietnam, we are about to embark on a major development drilling campaign at TGT which will look to increase production by up to 40% and also begin acquiring 3D seismic in Block 125, which has the potential to show some game-changing prospectivity offshore in the Phu Khanh Basin.

In Egypt, work on our farm-out, which will provide the investment for future development, is progressing well with all major drilling activity in the meantime having been put in abeyance until the process has been concluded.

Battening down the hatches and restructuring the company during the downturn has been a difficult but a necessary step in order to reposition it for robust growth and careful capital allocation in the best interest to all stakeholders. I look forward to updating the market further as we progress our plans for the year in both Egypt and Vietnam."

Summary

- Group working interest H1 production 9,147 boepd net;
 - Vietnam H1 production 5,429 boepd net
 - Egypt H1 production 3,718 bopd
- 2021 Full year Group working interest production guidance remains unchanged at 9,200 – 10,600 boepd net;
 - Vietnam - 5,200-6,200 boepd
 - Egypt - 4,000-4,400 bopd, prior to any investment from a farm-in partner
- Group revenue for H1 2021 of c.\$73m before hedging loss of c.\$14m
- Cash balances as at 30 June 2021 of \$28m, net debt also \$28m
- Forecast cash capex for the full year updated to \$41m
- In Vietnam, four well TGT development drilling programme to start later this month
- We remain committed to completing the farm-out process on both the El Fayum and North Beni Suef assets in Egypt
 - Advanced negotiations with preferred farm-out counterparty
 - Ongoing interest from other parties

Operations Update

Vietnam

Vietnam Production

Production for the first half of 2021 from the TGT and CNV fields net to the Group's working interest averaged 5,429 boepd. This is in line with the Vietnam 2021 production guidance of 5,200-6,200 boepd.

TGT H1 2021 production averaged 13,401 boepd gross and 3,976 boepd net to Pharos. CNV H1 2021 production averaged 5,813 boepd gross and 1,453 boepd net to Pharos.

Vietnam Operations and Development

On Block 16-1 - TGT Field, operations are about to start on the first of four development wells later this month. The final two wells in the 6 well sequence are planned to be included in the budget for 2022 and on completion of the full programme gross field production is expected to increase by 5-6,000 bopd to ~19-20,000 bopd. On Block 9-2 – CNV Field, routine well intervention work, comprising acidising of plugged perforations in two existing producing wells, was performed as planned and we are evaluating the results.

Blocks 125 & 126

A 3D seismic survey is to be acquired this summer over certain high graded leads in the western part of Block 125. Processed results will be available in 2022.

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Egypt

El Fayum Production, Operations and Development

Production for the first half of 2021 from the El Fayum Concession averaged 3,718 bopd. Production levels were impacted by well maintenance issues in the first half and plans are in place to accelerate production enhancement in the second half of the year.

The cessation of drilling operations and maintenance, plus reduced investment in the El Fayum fields since the beginning of the pandemic in March 2020, has resulted in a number of remedial well maintenance interventions being required. The workover rig assigned to the planned 9-month Phase 1B waterflood programme has frequently been re-assigned to work on well intervention work on producing wells requiring maintenance (predominantly ESP and sucker rod pump replacements). This has inevitably delayed some work on the Phase 1B waterflood programme and has had an overall detrimental effect on production. To resolve this issue, a second workover rig is due to arrive on site early August, and will be kept on for such time as is needed to return production to the guidance levels.

It is anticipated that the recently drilled Batran exploration discovery well will be tested in the next quarter.

Egypt Commercial Update

We are in advanced negotiations with our preferred farm-out counterparty on both the El Fayum and North Beni Suef Concessions, with other interested parties still engaged. The prolonged COVID-19 travel restrictions under which we are all still operating has made this process more protracted than we had anticipated but we continue to make good progress and an announcement of the details will be made as soon as possible. All major operations are on hold until the process has been completed.

The El Fayum Third Amendment agreement (which includes the fiscal cost recovery change and the licence term extension) approved by EGPC has been submitted to the Parliamentary energy committee. Parliament is in summer recess so approval of the Third Amendment and its ratification by the President is likely to be from September at the earliest.

The improved fiscal terms will lower the break-even and increase the contractor share of revenue by around 20% while in full cost recovery mode.

Financial Update

Cash / net debt

The Company entered the year with cash of \$24.6m and net debt of \$32.6m. Cash balances as at 30 June 2021 were c.\$28m with net debt also c.\$28m.

Revenues and hedging

Group revenues for the six months to 30 June 2021 were c. \$73m before hedging loss of c.\$14m. The average realised oil price per barrel achieved for the same period from Vietnam was c.\$67/bbl representing a premium of nearly \$2/bbl to Brent and for Egypt approx. \$60/bbl, representing a discount of approx. \$5/bbl to Brent.

Capital expenditure

Cash capital expenditure for 2021 is planned to be c.\$41m which now includes c.\$9m on our 3D seismic programme in Block 125 in Vietnam, plus \$15m already allocated to the four well TGT drilling campaign, and c.\$11m on our programmes in Egypt, including Phase 1B of the waterflood programme.

RBL

The June redetermination process under the RBL has now completed with no repayment due. Good progress is being made in our discussions with the banks in updating our RBL facility including an extension of the tenor, in line with the licence extensions granted last year over the assets in Vietnam. This process is being co-ordinated by BNP Paribas and Crédit Agricole Corporate & Investment Bank and we anticipate that it will be signed in the coming weeks, at which point we will update the market.

Outlook

Our producing assets remain significantly geared to the recovery in the oil price. In Vietnam, we already benefit from attractive break-even oil prices; and in Egypt, the improvement in the fiscal terms through the ratification of the Third Amendment will enhance cash generation.

Our debt levels are forecast to remain low and committed expenditure is limited.

The forthcoming development programme in Vietnam, the farm-out of the Concessions in Egypt and the RBL extension all mean that the Company will be well-positioned to return to growth within the next 12 months.

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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.