

20 January 2022

Signature of the Third Amendment to the El Fayum Concession Agreement

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 that the Third Amendment to the El Fayum Concession Agreement has been signed by His Excellency Eng. Tarek El Molla (Minister of Petroleum & Mineral Resources of the Arab Republic of Egypt), EGPC and the Company on 19 January 2022. The agreement has become effective upon signature, with retroactive application of the improved fiscal terms as from November 2020.

More specifically, under the new terms, the Cost Recovery Petroleum percentage (i.e. the share of gross revenues that is available for the Contractor to recover its costs) will be increased from 30% to 40%, allowing Pharos a significantly faster recovery of all its past and future investments. In return, Pharos has agreed to waive its rights to recover a portion of the past costs pool (\$115 million) and reduce its share of Excess Cost Recovery Petroleum from 15% to 7.5%.

While in full cost recovery mode, Contractor’s* share of revenue increases from c.42% to c.50% as from November 2020 (corresponding to additional net revenues to Contractor of c.\$7 million to date) significantly lowering the development project break-even. The new arrangements will strongly encourage new exploration and development investments, aimed at maintaining and increasing production rates and optimising resources, to the mutual benefit of Egypt and the Company.

The Third Amendment also grants Contractor a three-and-a-half-year extension to the exploration licence term, with an additional obligation on Contractor to drill two exploration wells and acquire a 3D seismic survey in the northern area of the license.

Signature of the Third Amendment was a key Condition Precedent for the transfer of a 55% participating interest (and operatorship) in the El Fayum and North Beni Suef Concessions to IPR Lake Qarun, a transaction which the Company expects to complete in Q1 2022.

* Contractor is Pharos 100% until completion of the transaction with IPR, following which it becomes Pharos 45% and IPR 55%. All net cash flows between the economic date (1 July 2020) and the date of completion will be reallocated through the interim period adjustment.

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, until completion of the farm-out to IPR Energy announced on 15 September 2021 (the “Farm-out Transaction”), 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). Similarly, until completion of the Farm-Out Transaction occurs, 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 Capricorn Energy PLC (formerly known as Cairn Energy PLC) and Israel’s Ratio Oil Exploration, have eight licences offshore Israel. Each party has an equal working interest and Capricorn Energy is the operator.