

13 January 2022
Trading and Operations Update

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

Trading and Operations Update January 2022

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 2021. This is in advance of the Company's Preliminary Results on 16 March 2022. The information contained herein has not been audited and may be subject to further review and amendment.

Summary

- Group working interest 2021 production 8,878 boepd net, in line with production guidance:
 - Vietnam production 5,560 boepd net
 - Egypt production 3,318 bopd
- 2022 production guidance:
 - Vietnam 2022 production guidance 5,000 – 6,000 boepd net
 - Egypt 2022 production guidance will be confirmed post transfer of operatorship to IPR
- Cash balances as at 31 December 2021 were approx. \$27m; net debt c.\$58m
- Group revenue for 2021 was c.\$163m before net hedging loss of c.\$30m:
 - o Vietnam revenues for the year c.\$130m
 - o Average realised oil price per barrel from Vietnam was just under \$73/bbl, representing a premium to Brent of just under \$2/bbl
 - o Egyptian revenues for the year circa \$33m*
 - o Average realised oil price per barrel from Egypt achieved was approx. \$65/bbl, representing a discount to Brent of c.\$5/bbl
- Relevant law regarding the Third Amendment of the El Fayum Concession Agreement formally issued by the Egyptian President dated 31 December 2021
- Significant progress made on all material conditions precedent to the transaction with IPR
- Separate announcement issued this morning with details of directorate changes

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

Ed Story, President and CEO, said:

"2021 was a year of achievement for Pharos, enabling us to return to growth in 2022. We have seen the successful completion of Phase 1 of the TGT development drilling programme in Vietnam which has increased production and cash flows, the farm-out of the Concessions in Egypt which offers growth with little near term capex, and the RBL refinancing which gives the Company financial headroom. These milestone events have happened at a time of rising oil prices to significantly strengthen our outlook for the future. We look forward to updating investors throughout the coming year as we embark on a period of growth for the business."

Operations Update

Vietnam

Vietnam Production

Production in 2021 from the TGT and CNV fields net to the Group's working interest averaged 5,560 boepd. This is in line with the 2021 production guidance.

TGT production averaged 13,887 boepd gross and 4,120 boepd net to Pharos. CNV production averaged 5,762 boepd gross and 1,440 boepd net to Pharos.

Vietnam production guidance for 2022 is 5,000 to 6,000 boepd net.

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Vietnam Development and Operations

Block 16-1 – TGT Field

TGT Well Intervention and Development Drilling

In November 2021, the Company announced that the Hoang Long Joint Operating Company (HLJOC) had successfully completed its 2021 TGT well intervention and development drilling campaign.

The initial flow of the four development wells of 8,800 bopd exceeded the predicted combined initial oil rate of 5,650 bopd by 3,150 bopd. The drilling programme was completed c.\$20 million below the JV gross budget.

The results of the drilling and intervention activity will ultimately improve recovery from the field and support the additional opportunities set out in the Full Field Development Plan (i.e. nine contingent wells and an extensive well intervention programme), and a TGT licence extension request to December 2031.

The HLJOC management committee approved two additional TGT wells and 13 well interventions (ten firm additional perforations and three water shut-offs) in the budget for 2022 on 17 November 2021. The two wells are planned to be drilled from cashflow in Q3 2022.

TGT Compressor Fault

The GTC-A compressor, one of the two compressors on the FPSO, was stopped on Monday 15 November to prevent any potential damage due to excessive temperature and vibration. The compressor was airfreighted to the manufacturer in the US for inspection and repairs. The repaired GTC-A compressor arrived in Vietnam on 9 January 2022 and has been shipped offshore, is being reinstalled and is expected to be back in service by mid-January.

Block 9-2 – CNV Field

As planned, no drilling activities took place on CNV for 2021. Operations on CNV focused on routine well maintenance and acid stimulation for two wells.

Vietnam Exploration

Blocks 125 & 126

In July 2021, the Company announced the completion of its 3D seismic acquisition programme on the western part of Block 125 in the Phu Khanh Basin, offshore Vietnam. The 909 km² 3D seismic programme was acquired on behalf of Pharos by Shearwater GeoServices Singapore Pte Ltd, using the SW Vespucci seismic vessel, across water depths of between 100m to 2,300m.

The capital spend for the acquisition of the 3D survey was \$8.5m. The seismic processing contract has been awarded, the work is on schedule and the final processed results are expected in 1H 2022.

On 8 September 2021, Pharos received approval for a two-year extension to the terms of Phase 1 of the Block 125 & 126 Exploration Period from the Ministry of Industry and Trade.

Egypt

El Fayum Production, Development and Operations

Production for 2021 from the El Fayum Concession averaged 3,318 bopd. This is in line with the 2021 production guidance given in our Interim Results statement on 15 September 2021.

Plans were put in place to accelerate production enhancement in the second half of the year, which included the arrival of a second workover rig in August and the commencement of a three-well development drilling programme in November 2021. This was to help provide reservoir pressure support and maintain production ahead of the main multi-year and multi-well development programme to be implemented following completion of the transaction with IPR. Operations for the three-well drilling programme are expected to finish in February 2022.

Petrosilah, on behalf of the Joint Venture, is also currently tendering for equipment to continue the drilling campaign and for a H1 2022 commencement.

The estimated capital spend for the three development well programme is circa \$2.6m net to Pharos (after adjustment, post the completion of the transaction with IPR). All expenditures are borne 100% prior to completion and will be taken into account through the interim period adjustment mechanism.

Egypt 2022 production guidance will be confirmed post transfer of operatorship to IPR.

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El Fayum Exploration

Batran-1X was drilled in May 2021 inside the Tera Development Lease. The well started the first phase of a long production test through Early Production Facility (EPF) in November by testing the single Upper Bahariya UB-1 zone to evaluate reservoir continuity and pressure support. During the initial test the well produced between 90 to 25 bopd and the rate of the well continued to drop during the test. The next phase of well testing through the EPF would start with the completion of Abu Roash Lower G which may be done at a later date.

Egypt commercial update

Following approval of the Third Amendment by the House of Parliament on 26 December 2021, the Company was advised on 11 January 2022 that the relevant law was formally issued on 31 December 2021 by the Egyptian President, Abdel Fattah Al Sisi. Signature of the Third Amendment by Pharos, EGPC and the Minister of Petroleum & Mineral Resources is expected shortly.

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

North Beni Suef (NBS)

Interpretation of the large pre-existing 3D seismic survey on the NBS Concession continues with several drillable prospects already identified.

Farm-out Transaction

As announced on 15 September 2021, the Group has entered into conditional agreements for the farm-out and sale of a 55% working interest and operatorship in each of the El Fayum and North Beni Suef Concessions to IPR Lake Qarun Petroleum Co., a wholly owned subsidiary of IPR Energy AG.

The farm-out has received the requisite approval by Company's shareholders with good progress made on all material conditions precedent, and Pharos expects completion of the transaction to occur in Q1 2022.

Israel

Pharos, 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. Evaluation of all the reprocessed seismic data has been finalised and risking and economic feasibility is being assessed. The JV has a drill or drop decision on these licences to take this year.

Financial Update

Net cash/debt

The Company entered 2021 with cash of \$24.6m and net debt of \$32.6m. Cash balances as at 31 December 2021 were approx. \$27m and net debt was c.\$58m.

Revenues and Hedging

Group revenues for full year 2021 were c.\$163m prior to hedging losses of c.\$30m. The average realised oil price per barrel achieved for Vietnam was c.\$73/bbl representing a premium of just under \$2/bbl to Brent and for Egypt was approx. \$65/bbl, representing a discount of approx. \$5/bbl to Brent.

Approximately 33% of the Group's 2022 Vietnam production is hedged at a minimum average price of approx. \$68/bbl.

RBL

In July, the Group completed the refinancing of its Reserve Based Lending Facility ("RBL") secured against the Group's producing assets in Vietnam. The new RBL provides access to a committed US\$100m with a further US\$50m available on an uncommitted "accordion" basis and has a four-year term that matures in July 2025.

The new RBL facility extends the tenor of the facility by 22 months, allowing for a rephasing of the repayment schedule and the provision of additional funds available for general corporate purposes.

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Outlook

Our producing assets remain significantly geared to the recovery in the oil price. In Vietnam, where we already benefit from attractive break-even oil prices, there are two more wells to be drilled on TGT in H2 2022 plus one well approved on CNV. In Egypt, the improvement in the fiscal terms through the Third Amendment will enhance cash generation. Following completion of the transaction with IPR, Pharos will be carried through its 2022 expenditure but will continue to receive oil revenues.

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

The successful completion of the development programme in Vietnam, the transaction with IPR in Egypt, and the RBL refinancing all mean that the Company is well-positioned to return to strong cash flow generation and growth during 2022.

Corporate Update

Directorate changes

On completion of the transaction with IPR, Jann Brown will assume the role of Chief Executive Officer (“CEO”) as one of two Executive Directors alongside Chief Financial Officer (“CFO”) Sue Rivett.

Also on completion, Ed Story will step down from the Board as CEO, after leading the Company for over 20 years since its admission to the main market in 1997. Ed will remain as President of the Vietnam business, which provides both current cash flow and growth potential to the Group.

In addition, as part of the post transaction restructuring, Dr Mike Watts will step down from the Board on completion. Mike will be available to advise the Board for a period in relation to its ongoing interests as the Company may require.

Finally, in support of the policy to slim down the Board and having served as Non-Executive Director, Senior Non-Executive Director and Deputy Chairman in his nearly 9 years on the Board, Rob Gray has indicated that he will not be putting his name forward for re-election as a Director at the next AGM in May.

The result of these changes will be to reduce the size of the Board from nine Directors (four Executives and five NEDs) to six (two Executives and four NEDs). Further details can be found in a separate announcement (the “Directorate changes” press release) published earlier today at www.pharos.energy.

Enquiries

Pharos Energy plc

Ed Story, President and Chief Executive Officer
Sue Rivett, Chief Financial Officer

Tel: 020 7747 2000

Camarco

Billy Clegg | Owen Roberts | Monique Perks | Rebecca Waterworth

Tel: 020 3757 4980

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.