

08 January 2020  
Trading and Operations Update

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

### Trading and Operations Update January 2020

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 2019. This is in advance of the Company's Preliminary results due to be announced on 11 March 2020. The information contained herein has not been audited and may be subject to further review and amendment.

#### Key Highlights

- Vietnam production 7,081 boepd
- Egypt production 6,007 bopd 2019 exit rate / average production 5,055 bopd (2 April to 31 December 2019)
- Cash balances as at 31 December 2019 were approx. \$58m; net debt \$42m
- Vietnam revenues for the year were circa \$155m
- The average realised oil price per barrel from Vietnam was just under \$68/bbl, representing a premium to Brent of just over \$4/bbl. Premiums for term sales in 1H 2020 are circa \$6/bbl.
- Egyptian revenues between completion on 2 April and 31 December 2019 were circa \$34m\*
- The average realised oil price per barrel from Egypt achieved over the same period was approx. \$59/bbl, representing a discount to Brent of circa \$6/bbl

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

#### Operations Update

##### Egypt

##### Egypt Production

The transaction to complete the acquisition of the Egyptian assets was finalised on 2 April 2019. Production from the El Fayum concession averaged 5,055 barrels of oil per day (bopd) from 2 April to 31 December 2019. The exit rate of 6,007 bopd achieved at 31 December 2019 was short of the guided exit rate of 6,500 bopd due to operational delays. Three rigs will be running through 1Q 2020 as a catch-up for the earlier operational delays, after which the drilling programme will revert to two rigs.

Egypt production guidance for 2020 is 6,500 to 7,500 bopd net

##### Egypt Development and Operations

El Fayum (100% Participating interest; operated by Petrosilah JOC)

There are currently three drilling rigs and three workover rigs in operation at El Fayum. Since completion of the acquisition, ten development wells and three injector wells have been drilled within the El Fayum concession.

Post completion, a second cold stacked drilling rig was contracted which started drilling in mid-July. In August, the same rig underwent a 45-day maintenance programme, after which the rig recommenced drilling with improved performance. In November, a third drilling rig was contracted and started drilling on 9 December.

Operations and workover rigs have focused on optimising existing waterflood areas, improving artificial lift performance, and restoring production from inactive wells to increase production.

##### Crude off-take and sales arrangements

As previously announced on 11 September 2019, oil deliveries are made directly to the Suez Oil Processing Company (SOPC) refinery, and the handling charges have been confirmed as unchanged at \$2.80/bbl. Pharos will continue to evaluate off-take options as production increases, in order to optimise netback pricing of future production and to provide maximum flexibility.

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### 2020 Work Programme

Three rigs will be running through 1Q 2020, after which the drilling programme will revert to two rigs. The three drilling rigs will continue to drill a combination of production and injection wells to start new waterflood areas and increase production. The focus in 2020 is on updating subsurface static and dynamic models based on the 2019 drilling campaign. This will further optimise waterflood patterns and well spacing, in addition, we expect this to improve sweep efficiency and increase well deliverability and to maximize the probability of achieving and possibly exceeding the upper range of the production guidance.

### Exploration

Over 100m of core was acquired in the Al Medina 1X exploration well, which was drilled in January 2019. Special core analysis was undertaken, which confirmed high total organic content in the AR F section. Subsequent geochemical analysis has confirmed that the AR F has entered the generative oil window at this location. A future well at greater burial depths to the north, will be needed to test for oil expulsion. New exploration well activities are deferred whilst the Company focuses on the development and production of discovered resources.

## Vietnam

### Vietnam Production

Production in 2019 from the TGT and CNV fields net to the Group's working interest averaged 7,081 boepd. This is in line with the 2019 production guidance of 6,500 to 7,500 boepd.

TGT production averaged 17,847 boepd gross and 5,382 boepd net to Pharos. CNV production averaged 6,793 boepd gross and 1,699 boepd net to Pharos.

Vietnam production guidance for 2020 is 5,500 to 6,500 boepd net.

### Vietnam Development and Operations

#### **Block 9-2 – CNV Field (25% working interest; operated by HVJOC)**

##### **Production wells**

No further drilling activities in CNV took place for the remainder of 2019. In October, temporary conversion of the water injection pipeline to gas lift was completed and the JOC is now focussed on improving CNV-5P-ST2 well performance. Later this year conversion of the pipeline will be made permanent allowing increased gas lift volumes. At that point it will be possible to flow test the CNV 6PST1.

#### **Block 16-1 – TGT Field (30.5% working interest; operated by HLJOC)**

##### **Production wells**

In 2019, activities were focused on increasing well productivity by optimising gas-lift for key wells, improving operational efficiencies and up-time and significant well intervention. In January 2019, the TGT-H5 31P well drilled through the main reservoir sections and discovered oil in the deeper high temperature, high pressure (HTHP) Oligocene section. The well continues to produce from the Miocene and shallower Oligocene.

The Borr Idun rig was contracted through PV Drilling (PVD) to execute the approved 2019-work programme of two firm wells. The first of the two firm wells, the TGT-H5-32I injector well spudded in November 2019 and was completed at the end of December. The TGT-H5-32I well is currently producing oil and conversion to a water injector will be at a later date. The rig is currently on a zero day rate while it waits for a weather window to move north to drill TGT-H1-15X. It is anticipated that the rig will arrive at its location by mid-January, weather permitting. The TGT-H1-15X well is targeting not only Miocene and Oligocene producing sands but also appraise the deeper Oligocene D & E sequence play discovered by the TGT-H5 31P well in January 2019. The TGT-H1-15X well will be fracked before testing to optimise flow from the deeper tight reservoirs before assessing their potential commerciality.

### TGT Compressors and FPSO Tie-In Agreement (TIA)

Delivery of the upgraded bundles for the Gas Turbine compressors for the Leased FPSO was made in December and completion of the upgrade remains as expected to be in 1H 2020. The upgraded compressors will be operating at a higher discharge pressure and we anticipate some production improvement from being able to inject deeper into the wells.

Negotiations on the TIA between the HLJOC and the current counterparty, Thang Long Joint Operating Company (TLJOC) continue.

### 2020 Work Programme

The H1-15X well will be drilled in early 2020, expected to complete in early 2Q.

An updated Full Field Development Plan (FFDP) that includes drilling six wells in 2021 has been issued to all partners and we anticipate approvals from Partners, and final approvals from PetroVietnam and the Vietnamese Government in 2Q 2020.

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#### Exploration

##### **Blocks 125 & 126 (70% operated working interest)**

Acquisition of 7,107 km line of new 2D seismic, gravity and magnetic data completed on 31 May 2019 on time and within budget. The seismic, gravity and magnetic data is being processed and analysed to identify areas for 3D seismic acquisition planned for 2020-2021.

#### **New Business**

##### Egypt - North Beni Suef

On 24 December 2019, Pharos signed for the North Beni Suef (NBS) Concession Agreement, which was awarded in February 2019 during the EGPC 2018 International Bid Round. The NBS concession is located immediately south of the El Fayum concession, Pharos is the operator with 100% working interest.

##### Israel

On 28 October 2019, Pharos, together with Cairn Energy plc and Israel's Ratio Oil Exploration signed, for eight blocks that were awarded during the second offshore bid round in Israel. Each party has an equal working interest and Cairn is to be operator.

#### **Financial Update**

Cash balances as at 31 December 2019 were approximately \$58m, which includes \$100m drawn from the RBL, with revenues for January-December 2019 of circa \$189m.

The average realised oil price per barrel from Vietnam was just under \$68/bbl, representing a premium to Brent of just over \$4/bbl

The average realised oil price per barrel from Egypt achieved over the same period was approx. \$59/bbl, representing a discount to Brent of circa \$6/bbl

A full financial update will be provided in the preliminary results on 11 March 2020.

#### **Strategic Update**

##### Dividend

Given the wealth of the organic investment opportunity within the portfolio, the Board has set the dividend to be paid in 2020 alongside the allocation of capital to asset work programmes and budgets for the year. The Board remains committed to maximising the overall total shareholder return through a combination of annual dividend and growth, with the dividend being a key part of the disciplined approach to capital discipline. In 2020, the Company intends to pay a total dividend of 2.75 pence per share in two equal tranches, one in May and one in November. This will be put to shareholders for approval in the AGM on 20 May.

##### **Enquiries**

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##### **Notes to editors**

Pharos Energy 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 exploration interests in Egypt, Israel and Vietnam.

In Egypt, Pharos holds a 100% working interest in the El Fayum oil concession in the low-cost and highly prolific Western Desert, one of Egypt's most established and prolific hydrocarbon basins. The concession produces from 10 fields and is located 80 km south west of Cairo and close to local energy infrastructure. It is operated by Petrosilah a 50/50 JV between Pharos and Egyptian General Petroleum Corporation (EGPC). Pharos is also an operator with 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 blocks in the second offshore bid round in Israel. Each party has an equal working interest and Cairn is to be operator.

In Vietnam, Pharos holds a 30.5% working interest in the Te Giac Trang (TGT) Field in Block 16-1, which is operated by the Hoang Long Joint Operating Company. Block 16-1 is located in the shallow water Cuu Long Basin, offshore southern Vietnam and a 25% working interest in the Ca Ngu Vang (CVN) Field in Block 9-2, which is operated by the Hoan Vu Joint Operating Company. Block 9-2 is 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.