

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in Pharos Energy plc, you should pass this document, with the accompanying Form of Proxy, without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold part only of your holding of shares in Pharos Energy plc, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

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## **PHAROS ENERGY PLC**

*(Incorporated and registered in England and Wales with registered number 03300821)*

### **Proposed farm-out of a 55% working interest in the El Fayum and North Beni Suef Concessions, Egypt to the IPR Energy Group**

#### **Circular to Pharos Shareholders and Notice of General Meeting**

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This Circular should be read as a whole. Your attention is drawn to the letter from the Chair of Pharos Energy plc (the “Company” or “Pharos”) which is set out at Part I of this Circular and which recommends you to vote in favour of the Resolution to be proposed at the General Meeting referred to below. Please also see Part II of this Circular for a discussion of certain risk factors that you should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The whole of this Circular should be read in light of these risk factors.

Notice of the General Meeting of Pharos to be held at the offices of Shepherd and Wedderburn LLP, 5 Cheapside, Octagon Point, London EC2V 6AA at 10.00 a.m. on 14 December 2021, is set out at the end of this Circular.

A Form of Proxy for use in connection with the General Meeting is enclosed with this document. At present, public health guidance and legislation issued by the UK Government in relation to the COVID-19 pandemic would permit public gatherings and travel at the date of the General Meeting. However, due to the continuing potential health risks from public gatherings because of the COVID-19 pandemic, Shareholders are strongly encouraged to appoint the chair of the General Meeting as their proxy and to give their instructions on how they wish the chair of the General Meeting to vote on the Resolution on their behalf. If it becomes necessary or desirable to change the arrangements for the General Meeting, for example due to the application of further public health guidance or legislation that restricts or prevents attendance at the General Meeting, the Company will notify shareholders before the General Meeting via its website at [www.pharos.energy](http://www.pharos.energy) and, where appropriate, through the release of an announcement to a Regulatory Information Service.

Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it as soon as possible, and in any event, so as to arrive at the offices of the Company’s registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 10.00 a.m. on 12 December 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). If you hold Pharos Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID number RA19 in accordance with the procedures set out in the notice convening the General Meeting at the end of this document. Alternatively, you may give proxy instructions by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk) and following the instructions. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 12 December 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy (or

the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

This document is a circular relating to the Transaction prepared in accordance with the Listing Rules. This document has been approved by the FCA. This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. The information provided in this document is provided solely in compliance with the Listing Rules and for the purpose of enabling Pharos Shareholders to consider the Resolution.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser and sponsor to Pharos in connection with the Transaction. Jefferies is acting exclusively for Pharos and for no-one else in connection with the contents of this Circular and the Transaction and will not regard any other person as its client in relation to the matters in this Circular and will not be responsible to anyone other than Pharos for providing the protections afforded to clients of Jefferies nor for providing advice in connection with the contents of this Circular or the Transaction or any transaction, arrangement or other matter referred to in this Circular.

Save for the responsibilities and liabilities, if any, of Jefferies under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Jefferies shall not assume any responsibility whatsoever nor makes any representations or warranties, express or implied, in relation to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by Pharos, or on Pharos's behalf, or by Jefferies or on Jefferies' behalf. Nothing contained in this Circular is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Pharos or the Transaction. Jefferies accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Circular or any such statement.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by the Company to obtain any approval, authorisation or exemption to permit the possession or distribution of this document (or any other publicity material relating to the Transaction) in any jurisdiction, other than in the United Kingdom.

Overseas Pharos Shareholders may be affected by the laws of other jurisdictions in relation to the distribution of this document. Persons into whose possession this document comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

The contents of this document should not be construed as legal, business or tax advice. Each Pharos Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering the Transaction is prohibited.

Without limitation, the contents of the website of the Company and the Group do not form part of this document.

By accepting delivery of this document, each Pharos Shareholder agrees to the foregoing.

Dated 25 November 2021.

## TABLE OF CONTENTS

	<i>Page</i>
IMPORTANT INFORMATION	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	7
DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS	8
PART I LETTER FROM THE CHAIR OF PHAROS ENERGY PLC	9
PART II RISK FACTORS	20
PART III PRINCIPAL TERMS OF THE TRANSACTION	34
PART IV FINANCIAL INFORMATION RELATING TO THE SALE INTERESTS	51
PART V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP	54
PART VI ADDITIONAL INFORMATION	59
PART VII GLOSSARY OF TECHNICAL TERMS	100
PART VIII DEFINITIONS	104
NOTICE OF GENERAL MEETING	112

## IMPORTANT INFORMATION

### Regarding Forward Looking Statements

This Circular includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “anticipates”, “expects”, “intends”, “may”, “will”, “believes”, “estimates”, “plans”, “projects” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Group’s, or the Continuing Group’s, results of operations, financial position, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Group’s operations and financial position, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this Circular.

In addition, even if the results of operations, financial position and the development of the markets and the industry in which the Group operates are consistent with the forward looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II (*Risk Factors*) of this Circular.

Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in this Circular speak only as at the date of this Circular, reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s, or the Continuing Group’s, operations, results of operations and growth strategy. You should specifically consider the factors identified in this Circular which could cause actual results to differ before making any decision in relation to the Transaction. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward looking statements in this Circular that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this Circular.

### Currency Presentation

Unless otherwise indicated, all references in this document to “**pence**”, “**pounds sterling**”, “**sterling**”, “**£**” or “**p**” are to the lawful currency of the United Kingdom, all references to “**cents**”, “**US\$**”, “**US dollars**” or “**\$**”, are to the lawful currency of the United States and all references to “**Egyptian Pounds**” are to the lawful currency of Egypt.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Generic Composite Rate expressed in US\$ per £1. The Bloomberg Generic Composite Rate is a “best market” calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Generic Composite Rate for US\$ on the Latest Practicable Date was US\$1.3378 per £1.

	<i>Period end</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
<b>Year</b>				
2018	1.2754	1.3350	1.4377	1.2478
2019	1.3257	1.2768	1.3518	1.1959
2020	1.3670	1.2840	1.3686	1.1412
<b>Period</b>				
January 2021 to Latest Practicable Date	1.3378	1.3810	1.4248	1.3343

The above rates differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this document. These exchange rates have been provided solely for the convenience of Pharos Shareholders. The inclusion of exchange rates is not meant to suggest that the pound sterling amounts actually represent US\$ amounts or that these amounts could have been converted into US\$ at any particular rate, if at all.

### **Rounding**

Percentages and certain amounts included in this Circular have been rounded to the nearest whole number or single decimal place for ease of presentation (except as otherwise stated). Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Circular reflect calculations based on the underlying information prior to rounding, and accordingly may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

### **Times**

All times referred to in this Circular are, unless otherwise stated, references to the time in London, United Kingdom.

### **References to defined terms**

Certain terms used in this Circular, including certain capitalised, technical and other terms are defined or described in Part VII (*Glossary of Technical Terms*) of this Circular and Part VIII (*Definitions*) of this Circular.

### **Mineral reserve and mineral resource reporting**

Unless otherwise indicated, Pharos has, in compiling its estimates of contingent resources, prospective resources and reserves contained in this Circular, used the definitions and guidelines set out in the PRMS.

**“Contingent resources”** are defined by the PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by application of development project(s), not currently considered to be commercial owing to one or more contingencies. Contingent resources have an associated chance of development. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent resources are further categorised in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status”.

**“Prospective resources”** are defined by the PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of geologic discovery and a chance of development. Prospective resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity”.

**“Reserves”** are defined by the PRMS as “those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied”.

Shareholders should not place undue reliance on the forward looking statements in this Circular or on the ability of Pharos to predict actual reserves or resources. Contingent resources relate to undeveloped accumulations and may include non-commercial resources. It should be noted that prospective resources relate to inferred, undiscovered and/or undeveloped mineral resources and accordingly by their nature are highly speculative. A possibility exists that the prospects will not result in the successful discovery of economic resources in which case there would be no commercial development.

### **Presentation of financial information on the Sale Interests**

Unless otherwise stated:

- The financial information on the Sale Interests relating to the periods under Pharos Group ownership has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the audited consolidated accounts of Pharos Energy plc for the years ended 31 December 2019 and 31 December 2020, and from the unaudited interim statements of Pharos for the six month period ended 30 June 2021. This financial information has been prepared under IFRS. The accounting policies used are consistent with the accounting policies adopted in Pharos's published consolidated financial statements for the years ended 31 December 2019, 31 December 2020, and the six months ended 30 June 2021.
- The financial information on the Sale Interests relating to the period before their ownership by the Pharos Group – that is, for the year ended 31 December 2018 and from 1 January 2019 to 1 April 2019, preceding completion of the acquisition by Pharos of Pharos El Fayum (formerly Merlon Petroleum El Fayum Company) on 2 April 2019 – has been extracted from the internal accounting records of Merlon Petroleum El Fayum Company before its acquisition by Pharos, as set out in its general ledger. The financial information for these periods was prepared under the prevailing accounting policies of Merlon Petroleum El Fayum Company and therefore may not be directly comparable to the financial information for the subsequent periods under Pharos Group ownership prepared in accordance with IFRS.

### **No profit forecast or estimates**

Unless otherwise stated, no statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings, earnings per Pharos Share or income, cash flow from operations or free cash flow for the Group, the Sale Interests or the Continuing Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per Pharos Share or income, cash flow from operations or free cash flow for the Group, the Sale Interests or the Continuing Group, as appropriate.

### **No offer or solicitation**

This document is not a prospectus and is not intended to, and does not constitute or form part of, any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

***The times and dates set out in the expected timetable of principal events above and mentioned throughout this Circular are indicative only. They are based on the Company's current expectations and may be subject to change (including as a result of changes to the regulatory timetable and/or the process for implementation of the Transaction). The times and/or dates may be adjusted by the Company, in which event details of the new times and dates will be notified to Shareholders, through the release of an announcement to a Regulatory Information Service.***

References to a time of day are to London time on the relevant date.

Announcement of the Transaction	15 September 2021
Publication of this Circular and the Form of Proxy and despatch to Shareholders	25 November 2021
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments or completion and transmission of CREST Proxy Instructions	10.00 a.m. on 12 December 2021 <sup>(1)</sup>
General Meeting	10.00 a.m. on 14 December 2021
Expected date of Completion	Q1 2022 <sup>(2)</sup>
Long stop date for satisfaction or waiver of Conditions	14 May 2022 <sup>(3)</sup>

**Notes:**

- (1) Forms of Proxy for the General Meeting must be lodged no later than 10.00 a.m. on 14 December 2021 in order to be valid, or, if the General Meeting is adjourned, not later than 48 hours before the time appointed for holding the adjourned meeting.
- (2) Completion is conditional upon the satisfaction or, where applicable, waiver of certain conditions. There can be no certainty if or when all of these conditions will be satisfied or, where applicable, waived and therefore no certainty as at the date of this Circular regarding the date of Completion.
- (3) This is the date by which the conditions to Completion, other than the approval and signature of the Deeds of Assignment, must be satisfied or, where applicable, waived, unless otherwise agreed by the parties to the Farm-Out Agreements. In addition, even if all of such conditions are satisfied or waived by relevant date, but the Minister does not subsequently approve both Deeds of Assignment by 14 September 2022 then, unless otherwise agreed, the Transaction will not proceed as anticipated. Please refer to Part III (*Principal Terms of the Transaction*) of this Circular for more information.

## **DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS**

<b>Directors</b>	John Martin ( <i>Non-Executive Chair</i> ) Rob Gray ( <i>Non-Executive Director</i> ) Marianne Daryabegui ( <i>Non-Executive Director</i> ) Lisa Mitchell ( <i>Non-Executive Director</i> ) Geoffrey Green ( <i>Non-Executive Director</i> ) Ed Story ( <i>Chief Executive Officer</i> ) Sue Rivett ( <i>Chief Financial Officer</i> ) Jann Brown ( <i>Managing Director</i> ) Mike Watts ( <i>Managing Director</i> )
<b>Company Secretary</b>	Tony Hunter
<b>Registered and head office of the Company</b>	27/28 Eastcastle Street London W1W 8DH
<b>Financial Adviser and Sponsor</b>	Jefferies International Limited 100 Bishopsgate London EC2N 4JL
<b>Legal Adviser to the Company as to the Transaction</b>	Pinsent Masons LLP 13 Queen's Road Aberdeen AB15 4YL
<b>Legal Adviser to the Company as to the Circular</b>	Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
<b>Legal Adviser to the Sponsor</b>	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA
<b>Auditor and Reporting Accountant to the Group</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ

## PART I

### LETTER FROM THE CHAIR OF PHAROS ENERGY PLC

#### PHAROS ENERGY PLC

*(Incorporated in England and Wales with registered number 03300821)*

*Registered and Head Office*

27/28 Eastcastle Street  
London W1W 8DH  
United Kingdom

John Martin (*Non-Executive Chair*)  
Rob Gray (*Non-Executive Deputy Chair*)  
Marianne Daryabegui (*Non-Executive Director*)  
Lisa Mitchell (*Non-Executive Director*)  
Geoffrey Green (*Non-Executive Director*)  
Ed Story (*Chief Executive Officer*)  
Sue Rivett (*Chief Financial Officer*)  
Jann Brown (*Managing Director*)  
Mike Watts (*Managing Director*)

25 November 2021

Dear Shareholder,

#### **Proposed farm-out and sale by the Group of a 55% working interest in the El Fayum and North Beni Suef Concessions, Egypt**

##### **1. Introduction**

As announced by Pharos on 15 September 2021, Pharos El Fayum, a wholly owned subsidiary of Pharos, has entered into conditional agreements with IPR Lake Qarun dated 14 September 2021 (the “**El Fayum FOA**” and the “**North Beni Suef FOA**”) for the farm-out and sale (the “**Transaction**”) of:

- a 55% share of the legal and beneficial interest in the rights and obligations of the Contractor Party under the El Fayum Concession, together with a corresponding 55% participating interest under a new El Fayum JOA and a 27.5% legal and beneficial interest in Petrosilah, the operating company of the El Fayum Concession; and
- a 55% share of the legal and beneficial interest in the rights and obligations of the Contractor Party under the North Beni Suef Concession, together with a corresponding 55% participating interest under a new North Beni Suef JOA;

(together the “**Sale Interests**”) in each case with an effective economic date of 1 July 2020. The new JOAs for each Concession will designate IPR Lake Qarun as operator as between the Contractor Parties with effect from Completion.

The consideration payable by IPR Lake Qarun in respect of the Transaction comprises three principal components:

- firm consideration of US\$5 million payable in cash on Completion, of which US\$2 million has already been paid as a deposit;
- disproportionate funding of the Group's retained interest share of the cost of future activities on the Concessions for US\$38.425 million net to Pharos, to be adjusted for economic date working capital and interim period cashflows from 1 July 2020; and
- additional contingent consideration payable in respect of each of the calendar years 2022 to 2025 if the average mid-point Brent crude price in that year exceeds US\$62/bbl, capped in respect of each calendar year at US\$5 million.

Completion under each Farm-Out Agreement is conditional on completion under the other Farm-Out Agreement unless otherwise agreed between the parties. Accordingly, and save where otherwise specified, the Farm-Out Agreements are treated in this Circular as a single Transaction. Further details

of the terms of the Transaction are set out below and in Part III (*Principal Terms of the Transaction*) of this Circular.

The Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the Listing Rules and is accordingly conditional upon the approval of Shareholders. Your approval of the Transaction is therefore being sought at a General Meeting to be held at 10.00 a.m. on 14 December 2021 at the offices of Shepherd and Wedderburn LLP, 5 Cheapside, Octagon Point, London EC2V 6AA. A notice of the General Meeting setting out the Resolution to seek this approval can be found at the end of this Circular. A summary of the action you are requested to take in connection with the General Meeting is set out in paragraph 10 of this letter and on the Form of Proxy that accompanies this Circular.

I am writing to you to (i) explain the background to and reasons for the Transaction; (ii) provide you with information about the Sale Interests; (iii) explain why the Directors unanimously consider the Transaction to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

## **2. Background to and reasons for the Transaction**

In 2019, Pharos acquired a 100% working interest as the Contractor under the El Fayum Concession via its acquisition of Merlon El Fayum Petroleum Company (now Pharos El Fayum). Since the completion of this acquisition, the Group has been awarded a 100% working interest in the North Beni Suef Concession following a successful bid round application.

The El Fayum Concession, containing 14 producing fields, is well understood with significant near-term production and cash flow growth available from a sustained period of drilling, with drilling targets and further development options already identified. The North Beni Suef Concession contains highly prospective acreage with significant resource potential, including several low risk prospects. It is also adjacent to several mature producing fields held under separate development leases.

Prior to the COVID-19 pandemic and the oil price shock, three drilling rigs and three workover rigs were operating from Q4 2019 through to Q1 2020. Seven wells (five producers and two injectors) were drilled through to April 2020 on the El Fayum Concession. Production was gradually increasing during this period and peaked at just over 7,000 bbl/d during April 2020. However, due to the uncertain macro-economic environment in H1 2020 resulting from the oil price shock on 7 March 2020, the turbulence in the financial markets and the general uncertainty over COVID-19, Pharos made an immediate decision to conserve cash and preserve its balance sheet by issuing termination notices on five of the six rigs in Q2 2020 and engaged Jefferies to conduct a farm-out process for the Sale Interests. It also engaged with EGPC to seek relief on crude oil discounts and to initiate discussions on improving fiscal terms and securing a further extension to the exploration period under the El Fayum Concession, and separately awarding ERCE a contract to work on an optimised investment development case for El Fayum in preparation for resumption of operational activity.

Operational activity on the El Fayum Concession recommenced earlier this year with a small scale phase 1 waterflood programme, utilising existing wells. This programme is, to some extent, expected to mitigate the decline in production on parts of the El Fayum Concession. Phase 2 of the waterflood programme, with the drilling of dedicated water injector wells, is an integral part of the investment case prepared by ERCE for the El Fayum Concession. The ERCE investment case is a 57 well development programme designed to recover 18% of the resource base within the Concession, and this forms the basis of the Group's stated 2P reserves for Egypt in the 2020 Annual Report and Accounts. The anticipated improvement in fiscal terms under the Third Concession Amendment approved by EGPC and the Cabinet of Egypt and announced by the Company on 30 March 2021, combined with the continued strength in Brent pricing, could result in further wells being economically justified on a payback analysis, with the possibility of an even higher recovery rate than projected in the ERCE investment case.

The Directors believe that, underpinned by the ERCE investment case, the capital and expertise provided by IPR through the Transaction will result in a positive outcome for all key counterparties (IPR, Pharos, Petrosilah and EGPC), with the expectation of increasing production from the El Fayum fields and ultimately realising their full commercial potential. In addition, Pharos will benefit from IPR's 40-year experience of operating in Egypt, its low-cost set up and its ownership of drilling and workover rigs.

### **3. Current trading of the Group**

Reference is made to paragraph 4 (Trend Information) of Part VI (*Additional Information*) of this Circular, which includes extracts from the 2021 Interim Results announced by Pharos on 15 September 2021.

### **4. About IPR Lake Qarun and the IPR Energy Group**

IPR Lake Qarun is a wholly owned subsidiary of IPR Energy AG. Both companies are members of the wider Improved Petroleum Recovery (IPR) Energy Group.

IPR has been present in Egypt for 40 years, currently with eight concessions, of which five are operated (both onshore and offshore) and is active in all four key producing regions, namely the Western Desert, the Nile Delta, the Gulf of Suez and the Eastern Desert. IPR has proven itself to be both a technically proficient and effective and low-cost operator and has achieved 90% growth in net production with reserve replacement ratios consistently exceeding 100% year on year since 2012.

IPR is well capitalised to fund the proposed work programme on both Concessions and its existing in-country presence and relationships with the Egyptian government and regulatory authorities are expected to facilitate a rapid expansion of operational activity following Completion.

The wider IPR Energy Group consists of specialized upstream oil and gas companies with extensive global experience and resources. Since inception in 1981 as an expert petroleum engineering firm executing turnkey EOR field development projects in public sectors, the IPR Energy Group has expanded into field services and its core business of international E&P operations by applying state-of-the-art technology for the exploitation of oil and gas worldwide.

The IPR Energy Group's E&P portfolio spans operated and non-operated working interest in eight concessions in Egypt, both onshore in the Western Desert, Nile Delta, and Eastern Desert and offshore in the Gulf of Suez, as well as producing leases in south Asia and the US.

To serve both its own E&P business and external clients, the IPR Energy Group provides a complete array of geological and petroleum engineering services using integrated technologies for exploration, field development and reservoir management, brown field production optimization, EOR applications, and training. Utilising company-owned equipment, field services primarily include activities in drilling, workover, and pulling unit services; chemical, polymer, and gel services and supply; water shutoff treatments; and gas power generation. The IPR Energy Group's oil and gas services businesses possess drilling and workover rigs that have the potential to be deployed on the El Fayum and North Beni Suef Concessions for both near and longer term operations.

In accordance with IFC Performance Standards, the IPR Energy Group is committed to socially responsible best operational practices that positively contribute to communities where it operates.

### **5. Key terms of the Transaction**

The consideration payable by IPR Lake Qarun in respect of the Transaction is as follows:

- firm consideration of US\$5 million payable in cash on Completion, of which US\$2 million has already been paid as a deposit refundable in certain circumstances if the Transaction does not proceed;
- IPR Lake Qarun will disproportionately fund, or carry, the Group's retained interest share of the cost of future activities on the Concessions for US\$38.425 million (net to the Pharos retained working interest), to be adjusted for Economic Date working capital and interim period cashflows from 1 July 2020; and
- additional contingent consideration will be payable in respect of each of the calendar years 2022 to 2025 if the average mid-point Brent crude price in that year exceeds US\$62/bbl, with the contingent consideration payable for each year, if any, equal to the amount by which the average mid-point Brent crude price for that year exceeds US\$62/bbl (rounded down to the nearest dollar or half-dollar) multiplied by US\$175,000, capped in respect of each calendar year at US\$5 million.

In addition, IPR Lake Qarun has agreed to reimburse Pharos El Fayum in cash at Completion for the full amount of any Assignment Bonus or bonuses payable in respect of the Deeds of Assignment and,

if the amount of such bonus or bonuses exceed US\$1 million the excess will be deducted from the net funding by IPR Lake Qarun of the Group's retained working interest in the Concessions.

The Transaction will be implemented by way of the sale of a 55% working interest in, and operatorship of, each of the El Fayum and the North Beni Suef Concessions. IPR Lake Qarun and Pharos El Fayum will also sign new JOAs for both Concessions at Completion. IPR Lake Qarun, as the new operator of both Concessions following Completion, has agreed under the new JOAs to an aggregate cap on the Operator G&A costs charged by it to the joint accounts for both Concessions up to end 2022 (including the operator's organisational costs outside Egypt and the cost of operator personnel seconded to Petrosilah) at an annual equivalent of US\$2 million, subject to indexation from 1 January in the year following the second anniversary of Completion. From 2023 onwards, the cap will only apply to the Operator G&A incurred under the El Fayum JOA.

The Transaction is conditional upon the satisfaction or, where applicable, waiver of the following conditions, amongst others:

- the waiver or deemed waiver by EGPC of its pre-emption rights in respect of the Transaction;
- EGPC's approval of the Deeds of Assignment;
- Pharos Shareholders passing the Resolution to approve the Transaction at the General Meeting; and
- the signature of the third amendment to the El Fayum Concession containing the improved fiscal terms in the form provisionally approved by EGPC (further details of which are set out in paragraph 10.1(i) of Part VI (*Additional Information*) of this Circular).

If Shareholders do not approve the Transaction at the General Meeting then Pharos El Fayum would be required to pay a break fee of US\$1 million to IPR Lake Qarun. In addition, IPR Lake Qarun has paid to the Group the deposit of US\$2 million in total across both Farm-Out Agreements, which will be retained if the Transaction does not complete as a result of IPR Energy AG's or IPR Lake Qarun's breach of the Transaction Documents. If Shareholders do not approve the Transaction by passing the Resolution, Pharos El Fayum will be required to return the full deposit of US\$2 million to IPR Lake Qarun.

The Farm-Out Agreements are inter-conditional, such that completion under each Farm-Out Agreement is conditional on completion under the other Farm-Out Agreement unless otherwise agreed between the parties. If all of the conditions under the Farm-Out Agreements are not satisfied or, where applicable, waived by 14 May 2022, or such later date as may be agreed between the parties (the "**CP Long Stop Date**"), the Farm-Out Agreements, other than certain specific continuing provisions, may be terminated without Completion having occurred by either principal party serving notice on the other.

In addition, even if all of the conditions under the Farm-Out Agreements are satisfied or waived by the CP Long Stop Date, but the Minister does not subsequently approve both Deeds of Assignment by 14 September 2022 then, unless otherwise agreed, the parties will seek the return of the Deeds of Assignment and any applicable assignment bonus or, if necessary, will undertake a more formal "unwinding" procedure in relation to either Deed of Assignment already signed by the Minister.

Pharos El Fayum has given certain customary undertakings to IPR Lake Qarun in relation to the Sale Interests and its conduct of operations and activities in relation to the Sale Interests between signature of the Farm-Out Agreements and Completion, including an undertaking not to enter into any commitments relating to the Sale Interests other than in the ordinary course of that business during that period.

Pharos El Fayum has also given customary warranties to IPR Lake Qarun in connection with the Transaction, some of which will be repeated on the date of Completion. Pharos El Fayum's liability in relation to those warranties is subject to customary limitations and exclusions.

IPR Lake Qarun is not obliged, by virtue of the Farm-Out Agreements, to take on any of the Group's staff in Egypt or elsewhere. However, under the El Fayum FOA, IPR Lake Qarun has agreed to reimburse to Pharos El Fayum the severance and other payments made or required by law as a result

of an employee of the Group based in Egypt ceasing to be an employee of the Group between the date of the agreement and the date 6 months after Completion if the individual concerned becomes an employee or consultant of the IPR Energy Group within 6 months after ceasing to be an employee of the Group.

Formal legal title to the Sale Interests will be transferred only on signature of the corresponding Deeds of Assignment by the parties thereto, including EGPC and the Minister.

Further details of the terms of the El Fayum FOA, the El Fayum JOA, the North Beni Suef FOA and the North Beni Suef JOA are set out in Part III (*Principal Terms of the Transaction*) of this Circular.

## 6. Information on the Sale Interests

### Location of Sale Interests

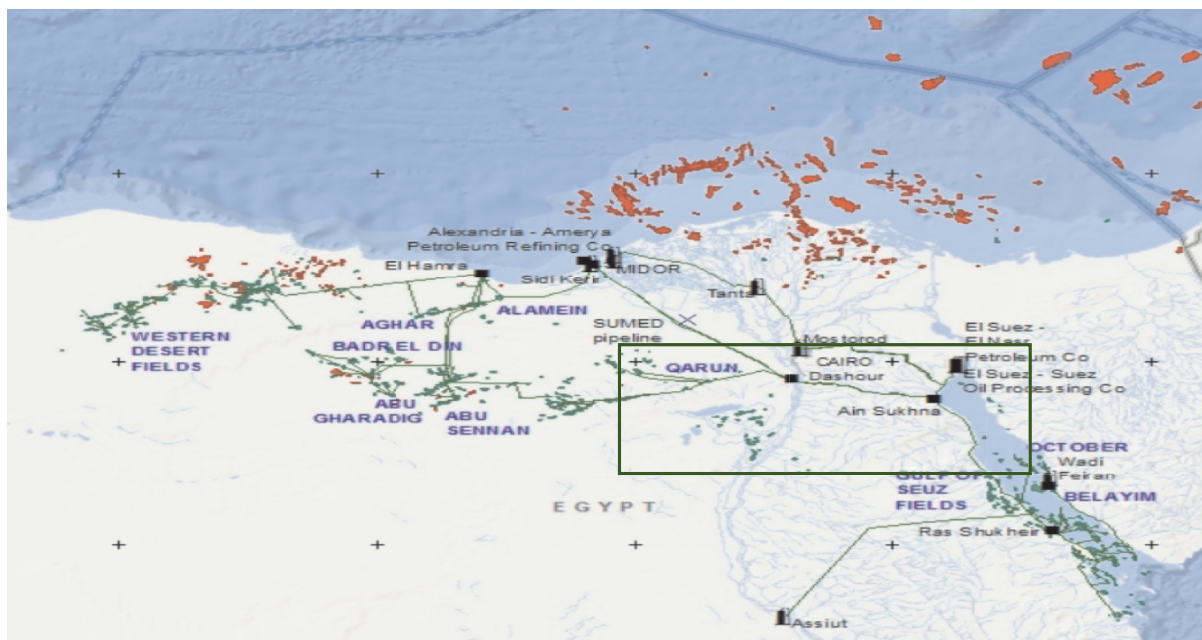


Figure 1: Regional context (source: Wood Mackenzie)

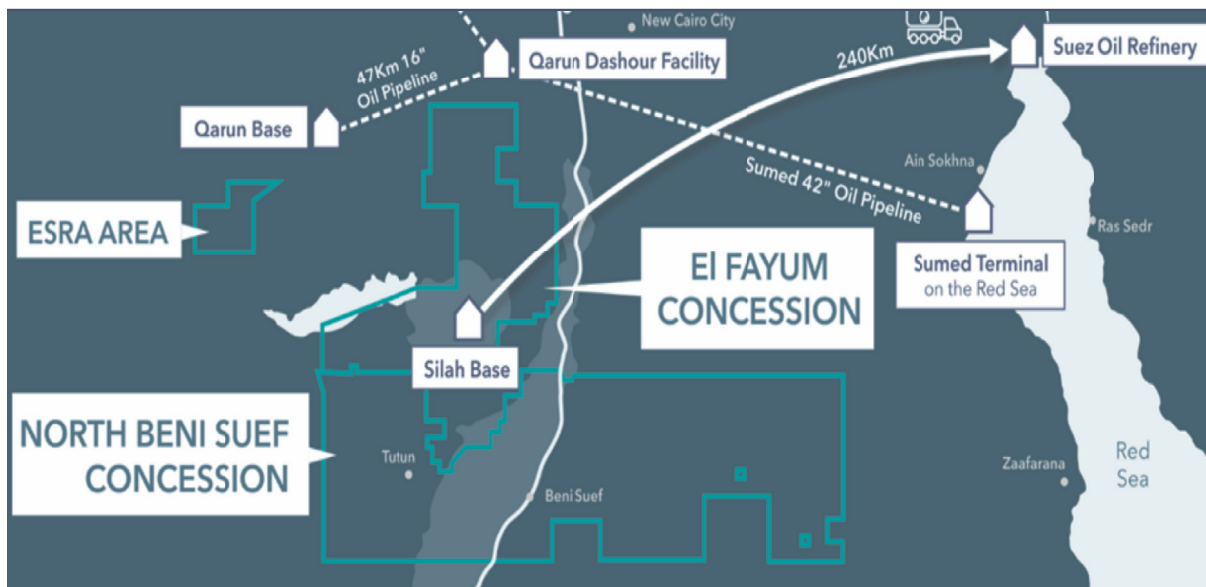


Figure 2: Location of El Fayum and North Beni Suef Concessions, Egypt (ref. index box from Figure 1)

## **El Fayum Concession**

### **Overview and history**

The El Fayum Concession covers an area of 1,564 km<sup>2</sup>, including 256km<sup>2</sup> of development and production acreage, in Egypt's low-cost and highly prolific Western Desert, and so benefits from extensive existing infrastructure and a well-developed service industry. El Fayum is located in the Gindi Basin geologic province in close proximity to several other large productive fields. Approximately 70% of the exploration acreage within the El Fayum Concession is covered by existing 3D seismic, with multiple, identified exploration prospects in proven petroleum systems, as well as a large underexplored area in the north of the Concession. A total of 10 currently active Development Leases have been awarded within the Concession Area covering 14 distinct producing oil fields. The first field discovery (Silah) came onstream in 2009 followed by a sequence of 11 discoveries between 2009 and 2010. The majority of discovered reserves within the El Fayum Concession are concentrated in the Greater Silah Area. Production from the El Fayum Concession is trucked c.240 km to the refining facility of the Suez Oil Refinery Company located in Suez.

Pharos, through its wholly owned subsidiary Pharos El Fayum, currently has a 100 per cent. Contractor interest in the El Fayum Concession. Field operations in the El Fayum Concession are conducted by Petrosilah, a 50:50 joint operating company between Pharos El Fayum and EGPC.

The El Fayum Concession was originally signed on 1 July 2004 under and pursuant to Egyptian Law No. 147 for year 2004. It was subsequently amended by:

- the first amendment on 16 September 2010 under and pursuant to Egyptian Law No. 132 for year 2010, to add two new exploration phases to facilitate additional investment; and
- the second amendment on 22 August 2017 under and pursuant to Egyptian Law No. 201 for year 2017 to extend the exploration phases, again to facilitate additional investment.

As announced by the Company on 30 March 2021, Pharos El Fayum has received provisional EGPC approval for a third amendment to the El Fayum Concession, the Third Concession Amendment, containing improved fiscal terms (further details of which are set out in paragraph 10.1(i) of Part VI (*Additional Information*) of this Circular). The Third Concession Amendment was subsequently approved by the Cabinet of Egypt at a meeting on 28 October 2021, and is now awaiting final parliamentary ratification of the relevant law, approval by the Egyptian President, and signature by the parties.

The majority of producing fields within the El Fayum Concession were discovered between 2009 and 2012. To date, over 130 wells have been drilled across the El Fayum Concession, the majority of which are development and appraisal wells.

As stated in section 2 of this letter, Pharos has worked with ERCe to generate an investment case for the El Fayum Concession that identifies a path towards production of over 10,000 bbls/day within 24 months of Completion. This investment case includes 57 new wells (48 producers and nine water injectors). The 2022 and 2023 work programme and budget associated with the investment case has been agreed in principle under the El Fayum FOA. This drilling campaign and the full deployment of a waterflood programme, together with the anticipated improvement in the fiscal terms under the Third Concession Amendment, are expected to result in a marked improvement to the Brent breakeven price on the Concession.

### **Recent performance**

Production for the first half of 2021 from the El Fayum Concession averaged 3,718 bopd (H1 2020: 5,979 bopd). Production levels were impacted by well maintenance issues in the first half and the inability of the one workover rig to cover both the Phase 1B waterflood programme and remedial activity. Plans in place to accelerate production enhancement in the second half of the year include the arrival of a second workover rig in August and the recommencement of drilling in 4Q 2021 with a first drilling rig to be operational since March 2020. As stated in the Company's 2021 Interim Results, the workover rig arrived on site in mid-August 2021. Operations with this workover rig are underway. The separate drilling rig was mobilised to the El Fayum Concession in October 2021.

On 22 November 2021 the Company announced that operations had commenced on a three-well back-to-back development drilling programme on the El Fayum Concession, expected to be completed in February 2022.

The Batran-1X commitment exploration well, drilled on a fault bounded and three-way-closed dip prospect located 4km west of the Main Torsa-1X well, reached TD on 4 June 2021. The well encountered 52 ft (15.85m) of net oil pay in the LARG and UB sands. Additional thin pay zones may also be present in the Abu Roash "A", "D" and "E" sands, where oil shows were also encountered whilst drilling. Pressure readings confirm that the oil-bearing reservoirs are at initial pressure. Pharos is currently testing the well as a potential future producer in the LARG and UB reservoir sections using a workover rig.

For further information on recent performance within the El Fayum Concession, please see under the headings "El Fayum Production, Operations and Development" and "El Fayum Exploration" in paragraph 4 of Part VI (*Additional Information*) of this Circular.

### **Estimated reserves and contingent resource**

As stated in the 2020 Annual Report and Accounts, gross reserves and contingent resources for the El Fayum Concession were independently audited by McDaniel as at 31 December 2020. Based on the McDaniel audit, the Group's estimated working interest 1P and 2P reserves as 31 December 2020 for the El Fayum Concession broken down by Development Lease, with the equivalent 2P reserves estimates for 31 December 2019 for comparative purposes, are as follows:

	<i>Net 2P reserves YE 2019 (mmboe)</i>	<i>Net 2P reserves YE 2020 (mmboe)</i>	<i>Net 1P reserves YE 2020 (mmboe)**</i>
<i>Development Lease</i>			
Silah	19.9	26.7	9.8
N Silah	1.5	3.0	2.0
N Silah Deep	2.7	6.3	3.4
Dawar	0.4	0.0	0.0
SE Gindi	0.2	0.1	0.0
Torsa	1.9	1.9	1.2
Ain Assillen	0.6	1.2	0.7
W Auberge	0.6	1.2	0.9
Ward	0.3	0.5	0.4
Saad	0.6	0.1	0.1
<b>Total</b>	<b>28.5</b>	<b>40.8*</b>	<b>18.5</b>

\* Following reclassification of certain volumes previously classed as contingent resource as at 31 December 2019.

\*\* Equivalent net 1P reserves estimates for YE 2019 are not available.

The net unrisks 2C contingent resource volumes for the El Fayum Concession as at 31 December 2020 were determined in the independent audit by McDaniel as follows:

<i>Development Lease</i>	<i>Net unrisks 2C contingent resource YE 2020 (mmboe)</i>
Silah	12.5
N Silah	2.0
N Silah Deep	2.1
Dawar	0.8
SE Gindi	0.2
Tersa	0.4
Ain Assillen	0.2
W Auberge	0.2
Ward	0.1
Saad	0.6
<b>Total</b>	<b>19.0</b>

### ***Contractor interests and operatorship***

Assuming the Transaction completes, the impact on the holdings of the Contractor Party interests in the El Fayum Concession will be as set out in the table below:

<i>Contractor Party</i>	<i>Interest pre- Transaction</i>	<i>Interest post- Transaction</i>
Pharos El Fayum	100%	45%
IPR Lake Qarun	Nil	55% and operatorship*

\* As stated above, Petrosilah is the designated operating company under the El Fayum Concession and has full responsibility for field operations thereunder. The appointment of IPR Lake Qarun as operator following completion of the Transaction, as between the Contractor parties, will have no effect on the continuing status of Petrosilah as the operating company under the Concession.

### ***Concession Duration and Main Terms***

Reference is made to the summary of the terms of the El Fayum Concession set out in paragraph 10.1(h) of Part VI (*Additional Information*) of this Circular.

### ***Exceptional factors***

The COVID-19 pandemic and the associated oil price shock has had a significant effect on production from, and operational activity within, the El Fayum Concession. This has been particularly marked on the El Fayum Concession, as the fields within the Concession produce by primary depletion. There is no water aquifer or associated gas in the main reservoirs to provide a strong natural drive mechanism, unlike the Group's assets in Vietnam, and wells are produced by artificial lift (either by ESP or sucker rod pumps). Consequently overall production rates will normally tend to decline rapidly unless offset by investment in new well drilling activity and/or the implementation of a secondary recovery mechanism such as waterflood. The operational hiatus from early Q2 2020 has been more protracted than envisaged when the COVID-19 pandemic first began to affect operations, with individual wells declining at high rates. This has resulted in a low recovery factor expectation for the fields of 6 to 8%. This protracted period of inactivity or reduced activity has also meant that normal maintenance work has been postponed and as this year has progressed a number of wells have encountered mechanical problems taking them offline until repaired by remedial intervention using a workover rig. These problems were exacerbated by well-intended cost-cutting measures releasing expatriate expertise at an unfortunate time and consequently morale in the field has also suffered.

### **North Beni Suef Concession**

#### ***Overview and history***

The North Beni Suef Concession covers an area of 5,060 km<sup>2</sup> in the Beni Suef basin, immediately south of the El Fayum Concession and around 80km south west of Cairo, close to existing local energy

infrastructure. The previous holder of the Concession, Apache, relinquished its interest in 2015, retaining development leases where several fields have been on long term production.

Pharos, through Pharos El Fayum, currently has a 100 per cent operated Contractor interest in the North Beni Suef Concession, which was signed on 24 December 2019 following a successful bid round application made by Pharos El Fayum (then named Merlon El Fayum) before its acquisition by the Group. The North Beni Suef Concession is currently in its initial three year exploration phase, in respect of which the Group is committed to a minimum work programme including a seismic acquisition survey (of unspecified type and extension) and the drilling of two wells for a total minimum expenditure of US\$12 million. None of this minimum work programme has yet been undertaken, as the Company has sought to defer exploration expenditure during the downturn. Pharos also expects to approach EGPC with the intention of seeking a six month extension of the initial exploration phase in light of COVID-19 pandemic-related delays.

The existing dataset on the North Beni Suef Concession consists of 3,101 km of 2D seismic, 1,625 km<sup>2</sup> of 3D seismic and data from eight wells. There are no existing commercial discoveries or producing wells on the North Beni Suef Concession.

### ***Recent performance***

There has been no recent operational activity on the North Beni Suef Concession. The most recent well drilled on the Concession was in 2015, by Apache.

### ***Estimated reserves***

There are currently no reserves attributed by Pharos to the North Beni Suef Concession.

### ***Contractor interests and operatorship***

Assuming the Transaction completes, the impact on the holdings of the Contractor Party interests in the North Beni Suef Concession will be as set out in the table below:

<i>Contractor Party</i>	<i>Interest pre-Transaction</i>	<i>Interest post-Transaction</i>
Pharos El Fayum	100%	45%
IPR Lake Qarun	Nil	55% and operatorship*

\* The North Beni Suef Concession provides for the appointment of a joint stock operating company involving EGPC following the first commercial discovery.

### ***Concession Duration and Main Terms***

Reference is made to the summary of the terms of the North Beni Suef Concession set out in paragraph 10.1(j) of Part VI (*Additional Information*) of this Circular.

## **7. Financial effects of the Transaction and use of proceeds**

As set out in paragraph 4 above, the Group will receive the initial cash consideration of US\$5 million in cash on Completion, of which US\$2 million has already been received as a deposit following signature of the Farm-Out Agreements. Pharos intends to use the initial cash consideration for general working capital and to pay fees and other costs relating to the Transaction.

If and to the extent that the Group receives any part of the Brent Price Contingent Consideration, the Company's current intention is to use this to augment working capital.

The gross value of the assets subject to the Transaction (that is, the Sale Interests based on a 100% net working interest) as at 30 June 2021 was US\$106.9 million, as stated in the 2021 Interim Results. The loss before tax attributable to the Sale Interests (based on a 100% net working interest) for the year ended 31 December 2020 was US\$124.6 million.

On a pro-forma basis and assuming completion of the Transaction on 30 June 2021, the Group would have had net assets of approximately US\$280.0 million (based on the net assets of the Group and the

Sale Interests as at 30 June 2021) as more fully described in Part V (*Unaudited Pro-Forma Financial Information of the Retained Group*) of this Circular.

Also on a pro-forma basis and assuming completion of the Transaction on 30 June 2021, the Group would have had loans and borrowings of US\$58.7 million and cash and cash equivalents of US\$33.4 million (based on the loans and borrowings and the cash and cash equivalents of the Group and the Sale Interests as at 30 June 2021) as more fully described in Part V (*Unaudited Pro-Forma Financial Information of the Retained Group*) of this Circular. Pharos Shareholders should read the whole of this document and not rely solely on summarised financial information in this letter.

The Transaction is not expected to result in any material cash tax liability for the Group.

## **8. Strategy following Completion**

Following Completion, the Group expects to maintain its focus on cash returns to Shareholders, recognising the significant cash generation potential of its assets in Vietnam and Egypt.

In addition, if the Transaction proceeds to Completion, the Company expects to undertake a review of the structure and composition of the Board in light of the reduced scale and operational activity of the Group. The Company expects to continue to comply with the 2018 UK Corporate Governance Code in relation to Board and committee composition following this review.

## **9. General Meeting**

Completion is conditional, amongst other things, upon the approval of Pharos Shareholders being obtained at the General Meeting. You will find at the end of this Circular a notice convening the General Meeting, to be held at 10.00 a.m. on 14 December 2021 at the offices of Shepherd and Wedderburn LLP, 5 Cheapside, Octagon Point, London EC2V 6AA and at which the Resolution will be proposed. A summary of the Resolution is below and the full text of the Resolution is set out in the notice of the General Meeting.

**At present, public health guidance and legislation issued by the UK Government in relation to the COVID-19 pandemic would permit public gatherings and travel at the date of the General Meeting. However, due to the continuing potential health risks from public gatherings because of the COVID-19 pandemic, Shareholders are strongly encouraged to appoint the chair of the General Meeting as their proxy and to give their instructions on how they wish the chair of the General Meeting to vote on the Resolution on their behalf. If you wish to attend the General Meeting physically, you are asked to register your intention to attend by emailing [info@pharos.energy](mailto:info@pharos.energy) on reasonable notice before the date of the General Meeting to allow the Company to make appropriate arrangements. If you do not register your intention to attend on reasonable notice, this could result in your not being permitted entry to the General Meeting.**

**If it becomes necessary or desirable to change the arrangements for the General Meeting, for example due to the application of further public health guidance or legislation that restricts or prevents attendance at the General Meeting, the Company will notify Shareholders before the General Meeting via its website at [www.pharos.energy](http://www.pharos.energy) and, where appropriate, through the release of an announcement to a Regulatory Information Service.**

**Even if physical attendance at the General Meeting is possible, in order to minimise public health risks, refreshments will not be served before or after the General Meeting and Directors will not be available to circulate with shareholders following the General Meeting. If Shareholders have any questions for the Board on the business of the General Meeting these can be sent by email to [info@pharos.energy.com](mailto:info@pharos.energy.com) in advance of the meeting. The Board will endeavour to answer any key themes emerging from these questions on the Company's website before the date of the General Meeting.**

The Resolution will be proposed as an ordinary resolution, meaning that, in order to be passed, it will require a simple majority of the votes cast in favour of the Resolution. The Transaction will not proceed if the Resolution is not passed.

The Resolution proposes that: (i) the Transaction be approved, and (ii) the Pharos Directors be authorised to take all such steps as may be necessary or desirable in connection with, and to

implement, the Transaction and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Transaction (provided such modifications, variations, revisions, waivers or amendments are not material), and to any documents relating thereto, as they may in their absolute discretion think fit.

#### **10. Action to be taken**

A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it as soon as possible, and in any event, so as to arrive at the offices of the Company's registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 10.00 a.m. on 12 December 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). If you hold Pharos Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID number RA19 in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Alternatively, you may give proxy instructions by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk) and following the instructions. Further information regarding the use of this facility is set out in the notes to the Notice of General Meeting. Proxies sent electronically (either via the CREST system or online) must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 12 December 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

#### **11. Further information**

Your attention is drawn to the further information contained in Parts II to VI of this Circular and, in particular, to Part II (*Risk Factors*) and to the information set out in Part VI (*Additional Information*).

#### **12. Financial Advice**

The Board has received financial advice from Jefferies in relation to the Transaction. In providing such financial advice to the Board, Jefferies has relied on the Board's commercial assessment of the Transaction.

#### **13. Recommendation**

The Board considers that the Transaction and the Resolution is in the best interests of the Shareholders as a whole and, accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 17,971,042 Pharos Shares, representing approximately 4.061 per cent of the Company's existing issued ordinary share capital as at the Latest Practicable Date (excluding treasury shares).

Yours faithfully

**John Martin**  
*Chair*

## PART II

### RISK FACTORS

*Prior to making any decision to vote in favour of the Resolution, Shareholders should carefully consider all the information contained in this Circular, including, in particular, the specific risks and uncertainties described below. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Transaction, material new risks to the Group or, following Completion, the Continuing Group, as a result of the Transaction or existing material risks to the Group or the Continuing Group that will be impacted by the Transaction. If any, or a combination of, these risks actually materialise, the business operations, financial condition and prospects of the Group or the Continuing Group, as appropriate, could be materially and adversely affected. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group or the Continuing Group. The information given is as at the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules and MAR (and/or any regulatory requirements) or applicable law, will not be updated. Any forward looking statements are made subject to the reservations specified under "Regarding Forward Looking Statements" on page 4 of this Circular.*

*Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, financial condition, results of operations and prospects of the Group or the Continuing Group. If this occurs, the price of the Shares may decline and Shareholders could lose all or part of their investment.*

#### **1. Material risks relating to the Transaction not proceeding**

***The implementation of the Transaction is subject to the satisfaction of certain conditions and the conditions might not be satisfied or waived***

The Transaction is conditional upon the satisfaction or, where applicable, waiver of the following conditions by the CP Long Stop Date of 14 May 2022 (or such later date as may be agreed between the parties to the Farm-Out Agreements):

- the Third Concession Amendment having been signed by all parties thereto;
- EGPC having waived its pre-emption rights in relation to the sale of the El Fayum Sale Interest and the North Beni Suef Sale Interest or the period in which such pre-emption rights may be exercised having expired without exercise by EGPC;
- EGPC's approval of the form of the Deeds of Assignment, including the acknowledgment of IPR Lake Qarun as the operator under the El Fayum Concession and the North Beni Suef Concession and otherwise in a form acceptable to Pharos El Fayum and IPR Lake Qarun acting reasonably;
- Pharos El Fayum having notified IPR Lake Qarun that EGPC has confirmed to Pharos El Fayum, verbally or in writing, that the Replacement Guarantees are acceptable to EGPC;
- Shareholders passing the Resolution at the General Meeting; and
- the IPR Funding Condition (as defined in paragraph 1.2.6 of Part III (*Principal Terms of the Transaction*) of this Circular).

Although the IPR Funding Condition is capable of waiver unilaterally by Pharos El Fayum, there is no guarantee that any of the other Conditions will be satisfied or, where permitted, waived by the CP Long Stop Date or at all. Failure to satisfy or obtain waiver of any Condition will result in the Transaction not proceeding to Completion.

In this regard, the attention of Shareholders is also drawn to previous examples of the proposed sale and purchase of oil and gas assets in Egypt failing to proceed to completion following initial announcement, including where regulatory approvals have not been obtained prior to the contractual long stop date.

If the Transaction is not completed, the Group will not receive any of the consideration under the Farm-Out Agreements and, save in limited circumstances, will also be required to repay the El Fayum

Deposit and the North Beni Suef Deposit. This may prejudice its ability to create Shareholder value by implementing its long-term strategy. Furthermore, the Group may have difficulty in realising a future divestment of the Sale Interests on the same or better terms as those offered pursuant to the Transaction. If the Group is unable to identify another suitable purchaser for the Sale Interests, this could have an adverse effect on the trust and confidence of, and/or working relationships with, relevant stakeholders and, consequently, result in a reduction in value in the Sale Interests.

***The Group may not realise the perceived benefits of the Transaction if it does not complete, including planned drilling operations on the El Fayum Concession intended to increase production***

The Board believes that the Transaction is in the best interests of Shareholders as a whole and that it currently provides the best opportunity to realise cash value and retain a significant stake in both Concessions while also benefiting from the El Fayum Carried Costs and the North Beni Suef Carried Costs on its retained interests. If the Transaction does not proceed to Completion, the Group will not receive the initial cash consideration or have the benefit of carry of its retained interests and, in addition, will be required to fund a 100% working interest in both Concessions. This could limit, restrict or delay the ability of the Group to implement the 57 well ERCe investment case on the El Fayum Concession, described in more detail in paragraph 6 of Part I (*Letter from the Chair*) of this Circular, that identifies a path towards production of over 10,000 bbls/day within 24 months of Completion (the “**El Fayum Investment Case**”). Even if the Transaction does not proceed to Completion but the Group is able to implement the El Fayum Investment Case as planned based on its existing available capital:

- its ability to make other investment in the Concessions (including further drilling within the El Fayum Concession intended to further increase rates of recovery) or its other oil and gas assets will be limited, restricted or delayed; and
- it will have greater downside exposure in the event of a lack of success of the Investment Case, or the results or outcomes of the implementation of the El Fayum Investment Case, including in relation to future production and rates of recovery from the Concession, being below initial expectations (and there can be no assurance that the El Fayum Investment Case will deliver any such expected results or outcomes).

***The Group has a variety of work programme commitments across its portfolio of assets, including on both Concessions, that it may not be able to perform if the Transaction does not proceed***

At present the Group has the following outstanding minimum or mandatory work programme commitments across its portfolio of assets:

- the drilling of four wells or an outstanding financial commitment of US\$8.4 million on the El Fayum Concession, in which the Group currently holds a 100% working interest (to be supplemented by the drilling of four additional wells and the acquisition of 400km<sup>2</sup> of 3D seismic in the so-called “Northern Area” for a minimum financial commitment of US\$6 million under the Third Concession Amendment when signed);
- the acquisition of a seismic survey (of unspecified type and extension) and the drilling of two wells for a minimum financial commitment of US\$12 million on the North Beni Suef Concession, in which the Group currently holds a 100% working interest;
- the drilling of one exploration well for a minimum financial commitment of US\$15 million on Blocks 125 and 126 in Vietnam, in which the Group currently holds a 70% operated interest (with the other elements of the minimum work programme in the current exploration phase of Blocks 125 and 126 either complete or in progress and requiring no additional financial commitment by the Group); and
- a remaining commitment of US\$0.8 million relating to the reprocessing and interpretation of vintage seismic data on the eight exploration licences in Israel, in which the Group currently holds a 33.33% non-operated interest.

The Group will be required to finance its share of these outstanding work programme commitments if the Transaction does not proceed. Failure on the part of the Group to finance its outstanding work

programme commitments would have an adverse effect the Group's business, financial condition, results of operations and/or prospects, with potential consequences including (a) loss, forfeiture, relinquishment, suspension or cancellation of interests in the Group's assets under applicable licences, concessions, PSCs or other petroleum contracts (b) reduction of the working or participating interest that the Group holds in any of its assets under default and/or "withering" provisions in joint operating agreements or similar, (c) liability for financial and/or other penalties connected with failure to undertake work programme commitments and (d) writing off of letters of credit provided by the Group to support work programme commitments.

***If the Transaction does not proceed, the Group will be liable for accrued transaction costs and, in certain circumstances, payment of the Break Fee and repayment of the deposits to IPR Lake Qarun***

If the Transaction is not completed, the Group will be required to meet its accrued costs in respect of the aborted Transaction, including the costs of negotiating the Transaction Documents, and these will be incurred irrespective of whether Completion occurs.

In addition, if Shareholders do not pass the Resolution at the General Meeting, Pharos El Fayum will be required to pay the Break Fee of US\$1 million to IPR Lake Qarun, in addition to being required to repay US\$2 million, being the El Fayum Deposit and the North Beni Suef Deposit, to IPR Lake Qarun.

***Third party interference and alternative offers or transactions may delay or prevent Completion without necessarily resulting in completion of an alternative transaction***

The Company could receive approaches from third parties seeking to instigate a public takeover of the Company or an alternative transaction involving the Sale Interests. Although the Farm-Out Agreements are binding on Pharos El Fayum, such that it would be obliged to proceed to Completion in the event that all Conditions had been satisfied or, where applicable, waived, the Directors may be obliged to consider any alternative offer in accordance with their fiduciary duties and may as a result of any such offer withdraw their recommendation of the Resolution and the Transaction. Any such withdrawal of the Board's recommendation of the Resolution might delay or prevent Completion without necessarily resulting in completion of an alternative transaction, which may adversely affect the Group's business, financial condition, results of operations and/or prospects. In addition, failure to pass the Resolution at the General Meeting, whether or not a result of the withdrawal of the Board's recommendation, would give rise to the Break Fee and an obligation to repay the El Fayum Deposit and the North Beni Suef Deposit.

***If the Transaction does not complete this may affect staff morale and the retention of Group management and local staff and personnel***

The marketing process and subsequent negotiation with IPR leading to the Transaction has taken place over an extended period of time and has had a disruptive effect on the Group's management and employees responsible for the Sale Interests, particularly those working in Egypt. If the Transaction does not complete, these Group management and employees will be affected, some of whom may choose to leave and some of whom may continue with the Group but with a significant deterioration in morale. This may have a negative effect on the performance of the Sale Interests under the Group's ownership. To maintain Shareholder value, the management of the Interests and of the Group may be required to allocate additional time and cost to the ongoing supervision and development of the Sale Interests, which could in turn adversely impact the Group's ability to manage its other assets and the overall Group cost base and adversely affect the Group's business, financial condition, results of operations and/or prospects.

***There may be an adverse impact on the Group's reputation and business relationships if the Transaction does not complete***

If the Transaction does not complete, there may be an adverse impact on the reputation of the Group due to media and market scrutiny arising in connection with an unsuccessful or abortive transaction. In particular, failure to complete the Transaction may result in a loss of trust and confidence on the part of Shareholders and other stakeholders in the ability of the Board to deliver on its principal strategy of delivering sustainable long term growth. Any such reputational risk could adversely affect the Group's business, financial condition, results of operations and/or prospects.

In addition, failure to complete the Transaction may have an adverse impact on the Group's relationships with its stakeholders in Egypt and elsewhere because its attractiveness as a counterparty or an operator may be reduced. This may negatively impact the Group's ability to monetise the Interests in the future as well as the Group's dealings with the same commercial partners and stakeholders going forward.

## **2. Material risks relating to the Group which result from the Transaction**

***IPR Lake Qarun is a newly-incorporated SPV and its obligations under the Farm-Out Agreements are guaranteed by IPR Energy AG, an entity that is not the parent company of the wider IPR Energy Group, and this may limit or restrict any remedies available to the Group in the event of non-performance or breach of the Transaction documents***

A significant element of the consideration to be received by the Group under the Farm-Out Agreements is in the form of deferred or contingent consideration, including:

- IPR's agreement to meet the El Fayum Carried Costs and the North Beni Suef Carried Costs; and
- the Brent Price Contingent Consideration of up to US\$20 million under the El Fayum FOA.

IPR Lake Qarun is a Cayman Islands exempted company incorporated on 27 July 2021 as a special purpose vehicle (SPV) to enter into the Farm-Out Agreements and, subject to the terms of those Agreements, acquire the Sale Interests. The sole shareholder of IPR Lake Qarun, as at the Latest Practicable Date, is IPR Energy AG. As IPR Lake Qarun is an SPV with no material assets, resources or employees, IPR Energy AG has guaranteed the performance and other obligations of IPR Lake Qarun under the Farm-Out Agreements, including in relation to the El Fayum Carried Costs, the North Beni Suef Carried Costs and the Brent Price Contingent Consideration. The obligations of IPR Lake Qarun under the Farm-Out Agreements are otherwise unsecured.

IPR Energy AG is not the holding company of the IPR Energy Group and, although it is understood by the Directors to hold (a) investments in certain other subsidiaries with interests in revenue-generative oil and gas E&P assets, and (b) a significant cash balance at bank, limited information capable of independent corroboration or verification has been provided to this effect by IPR Energy AG. In addition, it is possible that, even if IPR Energy AG does hold investments in other subsidiaries with interests in revenue-generative oil and gas E&P assets:

- IPR Energy AG cannot readily liquidate or otherwise realise value from such investments to satisfy a guarantee claim by Pharos El Fayum; and/or
- IPR Energy AG transfers such investments elsewhere in the IPR Energy Group or to a third party while the guarantee remains in place.

In relation to the second bullet above, and as stated in paragraphs 1.13 and 3.10 of Part III (*Principal Terms of the Transaction*) of this Circular, the Farm-Out Agreements each include a warranty from IPR Lake Qarun and IPR Energy AG that no legal and/or beneficial interests in any IPR Energy Group E&P assets in Egypt and Pakistan ("**IPR Group E&P Asset**") are held by a member of the IPR Energy Group that is not a wholly owned subsidiary of IPR Energy AG; and an undertaking by IPR Lake Qarun and IPR Energy AG that, if at any time the legal and/or beneficial interest in an IPR Group E&P Asset is held by an IPR Group entity which is not a wholly owned subsidiary of IPR Energy AG, they shall procure that a guarantee in equivalent terms is granted by such entity in favour of Pharos El Fayum. However, this warranty and undertaking is dependent on the covenant of IPR Energy AG and, if IPR Energy AG sells, disposes of or transfers its interest in some or all IPR Group E&P Assets there can be no assurance it would then be capable of meeting in full (or at all) any guarantee claim from Pharos El Fayum under either or both Farm-Out Agreements in respect of any unperformed obligation of IPR Lake Qarun thereunder, including in respect of the El Fayum Carried Costs, the North Beni Suef Carried Costs and/or the Brent Price Contingent Consideration.

In addition, there is no equivalent guarantee from IPR Energy AG in respect of the obligations of IPR Lake Qarun under the Concessions or the JOAs. Accordingly, Pharos El Fayum, as a counterparty of IPR Lake Qarun under the Concessions and the JOAs, is exposed to the risk of future non-performance by IPR Lake Qarun and, the further risk that, in the event of such non-performance, Pharos El Fayum

will have difficulty enforcing their rights under the Concessions and/or the JOAs (or any of them) against an SPV without additional security.

***The Transaction will involve the Group ceding operating control of the Sale Interests and therefore the Continuing Group's success will be dependent, to a material extent, on the performance of IPR Lake Qarun as operator and holder of a majority of the working interest in the Concessions***

Following Completion, the Group will retain a non-operated working interest of 45% in each of the El Fayum Concession and the North Beni Suef Concession, with IPR Lake Qarun assuming operatorship, as between the Contractor Parties, of both Concessions. Pharos El Fayum has, until the Transaction, been the sole Contractor Party under both Concessions and has accordingly enjoyed a significant level of control, direction and flexibility over operations, management and administration.

As a non-operator of the Sale Interests, the Group will, other than through certain rights under the JOAs summarised in paragraphs 2 and 4 of Part III (*Principal Terms of the Transaction*) of this Circular (including voting pass mark thresholds, the process for preparation and approval of annual work programmes and budgets and financial thresholds associated with the award of certain contracts), have limited power or scope to direct or exert influence over operations, including the timing, cost and performance, and will be dependent on IPR Lake Qarun as operator. For example, the Group may believe a particular drilling campaign or location of a particular well would be beneficial for its own reserve position or that a particular discovery or Development Lease is commercially viable. Without the agreement, cooperation and operating activity of IPR Lake Qarun, the Group would (other than through the limited "sole risk" provisions contained in the JOAs relating to operations by fewer than all parties) be unable to undertake, or procure the undertaking of, the appropriate exploration, appraisal or development activities to advance or protect the Group's commercial position, which may materially adversely affect its business, prospects, financial condition and results of operations. In addition, IPR Lake Qarun may not pursue the specific content or phasing of the work programme and budget for 2022 and 2023 associated with the El Fayum Investment Case. The terms of the Concessions and/or applicable law also impose standards and requirements in relation to the activities of the Contractor Parties, including those that the parties have agreed under the JOAs will be delegated to or otherwise undertaken by IPR Lake Qarun as operator. While the Directors believe that IPR is a reputable and experienced operator in Egypt, there can be no assurance that IPR Lake Qarun will observe all such standards or requirements in the course of its activities as operator.

Failure by IPR Lake Qarun as operator to comply with its (or the Contractor Parties') obligations under the Concessions and/or applicable law including, for example, health and safety and environmental requirements, may result in delays or increased costs, lead to fines, penalties and restrictions imposed on the Group (as a Contractor Party) and/or the withdrawal of licenses or termination of the agreements to which the Group is a party. The Group may also be subject to claims by or in respect of the operator regarding potential non-compliance with its obligations under the Concessions of the JOAs – for example, based on the operator indemnity in the JOAs described in paragraph 2.5 of Part III (*Principal Terms of the Transaction*) of this Circular.

In addition, IPR Lake Qarun and the wider IPR Energy Group are not subject to the same legislative, regulatory, disclosure and governance requirements as Company, as a UK public company admitted to the Official List traded on the premium segment of the main market of the London Stock Exchange. In addition, as a privately owned business, the IPR Energy Group is not required or expected to take into account the guidance, advice and recommendations of proxy advisory services and other bodies representing institutional and other shareholders. As a result of this difference in the applicable legislative, regulatory, disclosure and governance regime, the IPR Energy Group will or may not conduct and manage its business, operations and finances in the same manner as the Group and, as a result, this can have an impact on the activity undertaken by or through IPR Lake Qarun as operator of the Concessions following Completion. Without limitation to the generality of the preceding sentences, the assumption of operatorship by IPR Lake Qarun may mean:

- operations on the Concessions are not carried out, or reported, in accordance with the same environmental or social responsibility or reporting requirements to which the Group is subject, including prescribed emissions reporting and standards;
- reduced public reporting on the results or impact of operations on the Concessions; and

- alternative HSSE and other operational protocols, policies and procedures, including any health and safety measures taken in response to the COVID-19 pandemic.

***Warranties and indemnities in the Farm-Out Agreements, including in respect of liabilities related to the period prior to the Group's ownership of Pharos El Fayum***

The El Fayum FOA and the North Beni Suef FOA contain certain warranties and indemnities from Pharos El Fayum in favour of IPR Lake Qarun. These warranties and indemnities are broadly customary in nature for transactions of this type. If the Group is required in the future to make payments under any of the warranties or indemnities the costs of such payments could have an adverse effect on its business, financial condition and results of operations.

Shareholders should also note that the warranties and indemnities from Pharos El Fayum in the Farm-Out Agreements are more extensive than the warranties and indemnities provided to the Group in connection with its original acquisition of Pharos El Fayum announced in 2018. As stated in the 2018 Acquisition Circular in connection with that acquisition, the terms of the relevant share purchase agreement (the "2018 SPA") reflected a competitive auction process with limited protections provided to the Group by the seller, Merlon International LLC ("Merlon International"). In addition, many of the warranties and indemnities received by the Group under the 2018 SPA will not, as a result of time or other limitations on liability contained in the 2018 SPA, be capable of recovery from Merlon International. It is also unclear whether the financial position of Merlon International would represent a further obstacle to recovery, even if a claim was not otherwise excluded or restricted under the 2018 SPA.

Accordingly, it is possible that Pharos El Fayum could be liable under warranties and/or indemnities in the El Fayum FOA and/or the North Beni Suef FOA in respect of matters relating to the matters or events arising before the Group's period of ownership of Pharos El Fayum and in respect of which it does not have any right of recourse or recovery from Merlon International.

Any material liability incurred by Pharos El Fayum under the warranties and/or indemnities in the El Fayum FOA and/or the North Beni Suef FOA, where the Group does not have a separate right of recourse or recovery in relation to that liability, could adversely affect the Group's, or the Continuing Group's, business, results of operations, financial conditions and prospects.

***There can be no assurance that any or all of the Brent Price Contingent Consideration will become due and payable, or ultimately paid even when due, to the Group***

The Brent Price Contingent Consideration of up to US\$20 million in aggregate under the El Fayum FOA is dependent on the average Brent Price during the calendar years 2022, 2023, 2024 and 2025. If the average Brent Price in any of those calendar years is below the minimum threshold for the Brent Price Contingent Consideration of US\$62/bbl, no Brent Price Contingent Consideration will be payable in respect of that calendar year.

Prices for crude oil fluctuate widely. Among the factors that can or could cause these price fluctuations are: (a) the level of consumer demand; (b) domestic and worldwide supplies of crude oil; (c) the price and quantity of imported and exported crude oil; (d) domestic and international drilling activity; (e) the actions of other crude oil exporting nations, including the Organization of Petroleum Exporting Countries (OPEC); (f) weather conditions and changes in weather patterns; (g) the availability, proximity and capacity of appropriate transportation facilities, gathering, processing and compression facilities and refining facilities; (h) worldwide economic and political conditions, including political instability or armed conflict in oil and gas producing regions; (i) the price and availability of, and demand for, competing energy sources, including alternative energy sources; (j) the nature and extent of governmental regulation, including environmental regulation, regulation of derivatives transactions and hedging activities, tax laws and regulations and import and export laws and regulations; (k) the level and effect of trading in commodity futures markets, including trading by commodity price speculators and others; and (l) the effect of worldwide energy conservation measures.

The Continuing Group has, and will have, no control or influence over the Brent Price and cannot accurately predict the Brent Price for the four calendar years applicable to the Brent Price Contingent Consideration. Accordingly, there can be no assurance that any element of the Brent Price Contingent Consideration will become due and payable under the El Fayum FOA.

Even if any part of the Brent Price Contingent Consideration becomes due and payable under the EI Fayum FOA, the satisfaction of that obligation by IPR Lake Qarun – that is, the payment to Pharos EI Fayum of the relevant part of the Brent Price Contingent Consideration – remains dependent on the financial covenant and position of IPR Lake Qarun and its guarantor IPR Energy AG.

***If the Third Concession Amendment is not signed before Completion this could result in an initial reduction in the EI Fayum Carried Costs and the Brent Price Contingent Consideration, and if it is not signed at all this reduction will be permanent***

As described in paragraph 1.8 of Part III (*Principal Terms of the Transaction*) of this Circular, the parties to the EI Fayum FOA may agree to waive the Condition relating to the Third Concession Amendment.

If the parties agree to such waiver, and Completion occurs before signature of the Third Concession Amendment, then:

- the amount of the EI Fayum Carried Costs shall be reduced by the greater of (i) 50% of that amount and (ii) US\$17.44 million, until such signature occurs, at which point the EI Fayum Carried Costs shall be increased to the amount it would have been had the Third Concession Amendment been signed before Completion; and
- if the Third Concession Amendment has not been signed before the payment date relating to any relevant calendar year to which the Brent Price Contingent Consideration applies (being 1 June of the following calendar year), then 50% of the Brent Price Contingent Consideration payable in respect of that calendar year will be paid on such date and the remaining 50% will be payable only following signature of the Third Concession Amendment.

There can be no assurance that the Third Concession Amendment will ever be signed and, accordingly, agreement to waive the relevant Condition and to proceed to Completion without the Third Concession Amendment could result in a temporary or permanent reduction in the total consideration to be received by the Group under the EI Fayum FOA.

***As a result of the Transaction, EGPC may seek to impose an assignment bonus in relation to the change of name or control of the company holding the working interest in the North Beni Suef Concession***

As stated elsewhere in this Circular, the original application for the North Beni Suef Concession was made by Pharos EI Fayum under its previous name, Merlon Petroleum EI Fayum Company, while still under the ownership of Merlon International. As a consequence of this the North Beni Suef Concession was awarded and signed in the former name, notwithstanding at the time of signature the company was part of the Group with the registered name Pharos EI Fayum. There is a risk that, as a result of the increased engagement with EGPC in relation to the Transaction and, in particular, in connection with the Deed of Assignment for North Beni Suef, EGPC will seek to impose or levy on Pharos EI Fayum an additional assignment bonus for North Beni Suef (over and above any bonus due in relation to the Deed of Assignment) to reflect the change in its registered name or any related change of control, notwithstanding that the change of name and change of control in Pharos EI Fayum occurred before the signature of the North Beni Suef Concession.

The Group does not believe any such additional assignment bonus is properly payable in relation to the change of name or control of Pharos EI Fayum, and intends to challenge any attempt to impose or levy such a bonus. However, there can be no assurance that, if such a bonus is levied or imposed, any challenge will be successful. If such a bonus is imposed or levied, or attempted to be imposed or levied, against Pharos EI Fayum, it could be expected to be calculated by EGPC on the basis described in paragraph 10.1(j) (i) of Part VI (*Additional Information*) in this Circular.

***Potential increase in the value of the Sale Interests following completion of the Transaction***

If the Transaction completes, the value of the Sale Interests may rise above the consideration payable under the terms of the Farm-Out Agreement if, for example, after Completion there is an exploration discovery on either or both Concessions, or if the development drilling campaign planned for the EI Fayum Concession results in increased production above expectations. Therefore, in entering into the Transaction, there is a risk that the Group may not be realising the maximum possible value for the Sale Interests.

***Existing transportation options and infrastructure used for the evacuation of production from the El Fayum Concession may not be possible if production from the Concession increases to a certain level***

Currently, crude oil produced from the El Fayum Concession is typically evacuated by road tanker from the field to the Suez Refinery, located approximately 150km east of Cairo and 3km west of the Central Business District of the city of Suez in the north of the Gulf of Suez. The refinery is owned by the Suez Oil Processing Company (SOPC), a wholly owned subsidiary of EGPC, the Egyptian state oil and gas company. Development of the contingent resources or further exploration success within the Concession – for example as a result of the additional investment from IPR Lake Qarun following Completion – could mean that there will be a level of production reached at which point the current evacuation of crude oil from the El Fayum Concession to the refinery by road tanker is no longer feasible. At present the Directors believe that this constraint threshold is around 18,000 bopd, but this may be an overestimate. If production approaches or reaches, or is anticipated to reach, the threshold at which the current evacuation option is no longer feasible, the Group or, following Completion, the Continuing Group and its JV partners will require to consider other options, including evacuation by pipeline, most likely a tie-in pipeline to the main Suez – Mediterranean Pipeline (SUMED) some 15 km north of El Fayum. Any such infrastructure constraint of production from the El Fayum Concession could therefore restrict or delay the benefits to the Group or, following Completion, the Continuing Group of production above the constraint until the pipeline is approved, funded and constructed.

**3. Existing material risks to the Group which will be impacted by the Transaction**

***The Group may be unable to implement its growth strategy***

Pharos's strategic ambition is to deliver value and long term sustainable growth for all stakeholders through the responsible management of its current portfolio and the careful selection of growth opportunities. There can be no assurance that the Group will continue to implement this strategy successfully or that future oil and gas prices will support this business model in the future. Any failure to do so could materially adversely affect the reputation, financial condition and/or operating results of the Group.

***If the Transaction completes, the Group will have reduced revenues from production from the El Fayum Concession and the Group's long-term success will be dependent on future exploration, appraisal and development success and/or future acquisition of commercial reserves that are economically recoverable, and without such success or acquisition, the Group's reserves and production will decline over time***

The Sale Interests represent a significant component of the production assets of the Group. The remainder of the Group's portfolio consists of a blend of early stage exploration and mature production assets with additional upside potential. If the Transaction proceeds to Completion, the Group will have reduced operating cash flow from production assets, and, although the Transaction will also result in the Group reducing its working interest in the exploration acreage on both Concessions, the overall portfolio of the Group will have a greater proportion of early stage exploration assets. Exploration is capital intensive and inherently risky by its nature. There is no certainty that any future exploration drilling will be successful or that the Group or, following Completion, the Continuing Group will be able to successfully add commercial resources or reserves that are economically recoverable to its portfolio of assets. If it is successful, there is no certainty over what timeframe any subsequent appraisal or development will take place, and therefore when any revenues will be earned.

The Group's and, following Completion, the Continuing Group's future oil and gas reserves, production and cash flows to be derived therefrom are highly dependent on its success in exploiting its current reserve and resource base. Without the addition of reserves through exploration, acquisition or development activities, the Group's reserves and production will decline over time as reserves are exploited.

A future increase in the Group's or the Continuing Group's reserves will depend not only on its ability to develop present properties, but also on its ability to select and acquire suitable producing properties or prospects. If such efforts are unsuccessful, the Group's or the Continuing Group's total reserves will not increase and are likely to decline, which could have a material adverse effect on its business, financial condition, prospects and/or results of operations of the Group or the Continuing Group. This could in

turn have an adverse effect on the Group's and the Continuing Group's future production and, ultimately, its long term revenue and cash flow.

***Development of 2P reserves and contingent resources from the El Fayum Concession will require successful implementation of secondary technical extraction methods (e.g. waterflooding)***

Development of 2P reserves and further development of any discovered contingent resources from the El Fayum Concession requires the successful implementation of secondary recovery methods (e.g. waterflooding) as a reservoir drive mechanism. Rate and ultimate recovery of reserves from the El Fayum Concession will be dependent on the implementation of a full waterflood secondary recovery programme.

There are currently only five water injector wells active (all in the Greater Silah area) on the Concession. Two new water injection pilot schemes were tested successfully in parts of the main Silah field in 2020, with the result that McDaniel, the Group's independent reserves auditor, moved a portion of contingent resources into the 2P reserves category.

Following the successful pilot water injection tests the Company commenced a nine month phase 1B waterflood programme in H1 2021, which involves re-entering several existing wells to undertake perforations, re-perforations and completions with a work-over rig. The main phase 2 of the waterflood programme, where a minimum of 9 new water injector wells are expected to be drilled, plus the construction of certain new facilities and the use of high-pressure pumps, will only be possible following Completion and the access to the requisite additional capital it will make available. In the smaller satellite fields on the El Fayum Concession, the Company believes there is limited scope for potential water injection and it may not be possible to implement that method to develop existing contingent resources.

***The Northern Area of the El Fayum Concession is subject to force majeure and, while this status continues, no field operations, including seismic acquisition and/or exploration drilling will be possible***

The so-called Northern Area of the El Fayum Concession has been inaccessible for many years due to the presence there of several military installations and firing range. Yet this area is in the deepest part of the geological basin where one of the main source rocks (the ARF formation) is likely to have been most generative and its therefore considered by the Directors to be highly prospective.

In October 2019, Pharos El Fayum filed a force majeure request with EGPC with respect to the entire exploration area (as opposed to the Northern Area only) on the ground that inaccessibility of the Northern Area had effectively impaired the ability of Pharos El Fayum to carry out a proper ranking of the overall prospect portfolio over the entire exploration area and to prudently decide which prospects were the most attractive to be targeted by the four remaining exploration commitment wells. On 10 December 2019, EGPC informed Pharos El Fayum that EGPC's Board had accepted the force majeure claim, but only in relation to the Northern Area, agreeing a compensatory period to carry out activities in the Northern Area, if and when it became accessible, such compensatory period calculated by reference to the date of signature of the second amendment of the El Fayum Concession (being 22 August 2017).

The Third Concession Amendment, when signed, will have the effect of extending the exploration period for an additional three and a half years, starting retroactively from 16 November 2020. The Third Concession Amendment will, if signed, also result in the entire compensatory period accrued in relation to the Northern Area until 15 November 2020 being waived, with the Northern Area then being treated as in the same manner as the other licensed exploration acreage, with no compensatory rights carried forward from the previous period.

The Northern Area has remained inaccessible to date and is likely, in the Directors' opinion, to remain inaccessible in the near term. Although the Directors understand there is a possibility of relocation of the military base and firing range to the south of the El Fayum Concession, this is unconfirmed. Unless and until some form of official confirmation to this or a similar effect is received, the Directors believe the present force majeure situation is unlikely to change. As such it is not possible to undertake field operations within the Northern Area, whether seismic surveys, drilling or otherwise, despite the potential prospectivity of the area. Pharos intends to make a new Force Majeure claim in respect of the Northern

Area following the anticipated signature of the Third Concession Amendment, but there can be no assurance that EGPC will accept this claim or that the Northern Area will become accessible at any stage during the proposed three and a half-year extension to the exploration period (16 November 2020 to 15 May 2024) under the Third Concession Amendment.

***The reduction in 2P reserves as a result of the Transaction may make it more difficult or more expensive for the Group to secure funding***

The Transaction will, if it completes, result in the reduction of the Group's reserves and contingent resources as result of the farm-out of the El Fayum Sale Interest. As at 31 December 2020, the estimated 2P reserves of the El Fayum Concession net to the Company were 40.8 MMbbls, and the estimated 2C resources of the El Fayum Concession net to the Company were 19.0 MMbbls. Completion of the Transaction will reduce the Group's 2P reserves and 2C resources accordingly. The Group does not currently recognise any resources or reserves in the North Beni Suef Concession.

The reduction in the Group's 2P reserves may make raising funding more difficult or more expensive as the Continuing Group will not be able to use the El Fayum Sale Interest as collateral for future financing initiatives. The El Fayum Concession is not currently a borrowing base asset under the 2021 RBL Facility Agreement described in paragraph 10.1(a) of Part VI (*Additional Information*) of this Circular, and the reduction in 2P reserves as a result of the Transaction will have no impact on any existing facilities taken into account in making the statement in paragraph 12 (Working capital) of Part VI (*Additional Information*) of this Circular. However, the Continuing Group's ability to introduce its retained interest in the El Fayum Concession subsequently as a borrowing base asset, and the level of borrowing accessible by doing so, will be diminished materially as a result of the Transaction.

This may in turn result in the liquidity of the Continuing Group becoming insufficient and lead the Board to decide to seek additional sources of liquidity which may not be made available on the same basis and may in turn result in a significant increase in the Continuing Group's financing costs.

In addition, the lower level of 2P reserves may prevent or restrict the Continuing Group from securing funding to the level required to support its capital investment programme, which may reduce or delay some of the Continuing Group's capital expenditure plans and may further adversely impact the Continuing Group's future production and reserves, as well as the Continuing Group's future prospects with respect to its exploration and/or development projects and any future new ventures activity.

***The Group, and the future success of the Continuing Group, is dependent on the efforts, abilities, experience and expertise of certain members of management and on its ability to attract and retain key technical and other personnel***

The Group's and, following Completion, the Continuing Group's business is highly dependent upon skilled personnel and professional staff in the areas of oil and gas exploration, appraisal and development, operations, engineering, and business development, and in particular on the regional knowledge and relationships of senior management in the jurisdictions in which the Group operates.

In particular, Ed Story, who is currently the President and Chief Executive Officer of Pharos, Jann Brown and Dr Mike Watts, currently joint Managing Directors of Pharos, and Sue Rivett, currently Chief Financial Officer of Pharos, will, subject to the outcome of the anticipated review of Board structure and composition following Completion, remain important to the success of the Continuing Group. These named individuals are employed on the basis of twelve months' notice periods, with covenants not to compete with the Group as well as customary confidentiality and non-solicitation obligations.

Were any of the Group's and, following Completion, the Continuing Group's key members of management to depart, the Group or the Continuing Group, may not be able to locate suitable replacement personnel in a timely manner, or at all. Any failure to retain key members of management could significantly delay or prevent the implementation of the strategy of the Continuing Group, which could have a material adverse effect on the Continuing Group's business, results of operations, financial condition or prospects.

Global competition in the oil and gas industry for management and technical personnel with relevant expertise and exposure to international best practices is intense due to the small number of qualified individuals in the labour market. The Group and, following Completion, the Continuing Group will place a particular emphasis, as part of its strategy, on hiring local staff rather than expatriates wherever

possible, and as a result may have difficulty hiring and retaining qualified management and technical personnel in countries which have a limited supply of such personnel available locally. The Group, and, following Completion, the Continuing Group may be unable to retain its existing senior management and technical personnel or attract additional qualified personnel as the Group and, following Completion, the Continuing Group grows its operations in existing and/or new jurisdictions. As a result, the Group and, following Completion, the Continuing Group may face significant costs in attracting and retaining specialist personnel necessary for the operation and expansion of its business, and there can be no assurance that it will be able to do so in every or any case. Any failure to attract, retain or replace qualified technical personnel or senior management could significantly delay or prevent the successful implementation of the strategy of the Group and, following Completion, the Continuing Group which could have a material adverse effect on Group's and, following Completion, the Continuing Group's business, results of operations, financial condition or prospects.

Indeed, Completion itself may result in the Continuing Group having greater difficulty attracting, hiring and retaining management and technical personnel with relevant expertise, suitable qualifications and exposure to international best practices. The Transaction may or will be perceived by such personnel, either currently employed or engaged by the Group, or potential candidates for recruitment or hire by the Group or the Continuing Group, as resulting in the Continuing Group having a reduced or diminished size, control, influence, reputation, portfolio diversification, opportunity and/or financial position and, accordingly, representing a less attractive prospect as an employer, contractor or other counterparty. As noted above any failure to attract, hire and retain such personnel could significantly delay or prevent the implementation of the strategy of the Continuing Group, which could have a material adverse effect on the Continuing Group's business, results of operations, financial condition or prospects.

***The Group's exploration, appraisal and development programmes are capital intensive and the Group and, following Completion, the Continuing Group will be unable to implement these programmes and fulfil their respective licensing commitments in the longer term without significant capital expenditure for which funding may not be available***

The Group incurred total cash capital expenditure of US\$63.4 million during 2019 and US\$41.3 million during 2020, with the latter figure affected by the reduced levels of operational activity arising from the COVID-19 pandemic discussed in Part I (*Letter from the Chair of Pharos Energy plc*) of this Circular. In addition, the Group reported in the 2021 Interim Results capital expenditure of US\$9.5 million during the first six months of 2021, again affected by reduced levels of operational activity in that period.

The Directors expect that the Continuing Group's development plan for its portfolio of assets will, following Completion, require significant further investment in the near term, including in connection with the various work programme commitments listed under the risk factor above entitled "*The Group has a variety of work programme commitments across its portfolio of assets, including on both Concessions, that it may not be able to perform if the Transaction does not proceed*". Part of this will be funded by means of the El Fayum Carried Costs and the North Beni Suef Carried Costs, but part of it will require to be funded directly by the Group.

The Group and, following Completion, the Continuing Group intends to fund its planned capital expenditure from amounts available under borrowings, operating cash flows resulting from production and sale of oil, natural gas and condensate, the sale of certain assets or the agreement of farm out financing arrangements in respect of certain assets, and potentially from corporate restructuring, refinancing of current debt, new borrowings or from capital markets funding, in the form of equity or debt.

In the longer term, the Group and, following Completion, the Continuing Group may not be able to generate sufficient funds from operating cash flows or, particularly during periods of distress and limited capital availability in the global capital markets, to raise sufficient funds from asset sales, from farm out arrangements, and from borrowing or raising debt or equity to meet its respective future capital expenditure requirements, or to do so at commercially acceptable or reasonable terms and/or cost. The Group's and, following Completion, the Continuing Group's ability to arrange future financing, and the cost of financing generally, depends on many factors, including:

- (a) economic and capital markets conditions generally;

- (b) investor confidence in the oil and gas industry and in the Group or the Continuing Group, as the case may be;
- (c) the business performance of the Group or the Continuing Group, as the case may be;
- (d) the success of exploration and appraisal efforts for a given asset;
- (e) regulatory developments;
- (f) receipt of permission from existing lenders (if applicable) or counterparties;
- (g) credit available from banks and other lenders; and
- (h) provisions of tax and securities laws that are conducive to raising capital.

It may therefore be difficult or impossible, in the longer term, for the Group and/or, following Completion, the Continuing Group to obtain funding for existing or proposed capital expenditures on acceptable terms, or at all.

If the Group or, following Completion, the Continuing Group raises debt in the future, it will become more leveraged and subject to additional or more restrictive financial covenants and ratios, and/or may be required to extend security over its assets for the benefit of lenders, and if the Group or, following Completion, the Continuing Group raises debt in the future, it may become more leveraged and subject to additional or more restrictive financial covenants and ratios, and/or may be required to extend security over its assets for the benefit of lenders.

Any inability of the Group or, following Completion, the Continuing Group to generate or procure sufficient financing for capital expenditures in the longer term could adversely affect its ability to expand its respective business and meet its stated reserve and production targets, could result in the Group and, following Completion, the Continuing Group facing unexpected costs and delays in relation to the implementation of its exploration, appraisal and development plans and could adversely affect the Group's and, following Completion, the Continuing Group's ability to maintain its production at current levels, meet its commitments under certain of its exploration or development licences, and achieve its strategy. This could have a material adverse effect on the Group's and, following Completion, the Continuing Group's business, results of operations, financial condition or prospects.

The Group's and, following Completion, the Continuing Group's development plans may be unsuccessful if it is not possible to convert exploration licences into production licences.

Generally, the Group's licences, concessions, PSCs and other petroleum contracts grant a licence for the exploration and appraisal of hydrocarbons within defined areas and provide for certain commitments (for example, exploration and appraisal drilling commitments) to be completed within specified timeframes. If the Group or, following Completion, the Continuing Group is unable to meet the specified requirements and/or deadlines for commitments set out in its respective exploration licences, and fails to secure a waiver, amendment or extension of such requirements, this could result in premature termination, expiration, suspension or cancellation of any of its material exploration licences. In this context please also refer to the risk factor above entitled "*The Group has a variety of work programme commitments across its portfolio of assets, including on both Concessions, that it may not be able to perform if the Transaction does not proceed*". In certain cases, the Group is required to provide letters of credit when it enters into minimum work commitments, which it may have to write off if an asset is relinquished.

Even if the terms of the Group's exploration licences are met, the ability of the Group and, following Completion, the Continuing Group, to discover further hydrocarbon resources and/or reserves and to initiate production in respect of the same depends on its ability to explore effectively for, and subsequently appraise or evaluate, hydrocarbons within the exploration licenses and eventually convert its exploration licences into production licences or, in the case of Egypt, Development Leases. Even where new hydrocarbon resources or reserves are discovered, the Group and, following Completion, the Continuing Group, as the case may be, may be unable to negotiate commercially reasonable terms for development and production, and its development plans may be subject to delays or difficulties arising from the political, environmental and other conditions in the areas where the discovered reserves and resources are located.

Factors such as equipment or staff shortages, infrastructure problems, adverse weather conditions and natural disasters may also make it uneconomical to develop potential reserves and resources. In addition, the conversion of exploration licences into development and production licences will require approval from central, regional or local governments, which may be delayed or altogether unavailable for reasons beyond the Group's and, following Completion, the Continuing Group's ability to predict or control. The Group and, following Completion, the Continuing Group may also be required to raise debt or issue equity in order to implement its exploration, appraisal and development programmes.

Any inability of the Group and, following Completion, the Continuing Group to convert its exploration licences in line with exploration, appraisal and development programmes, as applicable, could delay or prevent production, which would limit the growth of future reserves and revenues and could have a material adverse effect on the Group's and, following Completion, the Continuing Group's expected return on investment, as applicable, and could have a material adverse effect on the Group's and, following Completion, the Continuing Group's business, results of operations, financial condition or prospects.

***The Group operates in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties***

The Group's and, following Completion, the Continuing Group's operations are exposed to significant political, economic, fiscal, legal, regulatory and social uncertainties and instability in the jurisdictions in which it operates (including expropriation of assets, unilateral amendments to concessions, licences, production sharing or other petroleum contracts, hostilities, civil unrest and piracy). The occurrence of any such factors could have a material and adverse effect on the Group's and, following Completion, the Continuing Group's business, prospects and results of operations. In particular, in several jurisdictions in which the Group and, following Completion, the Continuing Group has assets, the less developed status of the legal systems may result in risks and uncertainties and regulatory requirements can be onerous and expensive. Furthermore, in some of these jurisdictions there is little legislation regulating oil and gas exploration, development, production or other activities which the Group and, following Completion, the Continuing Group may undertake. It may accordingly not be possible to establish, assert, protect or defend legal rights or title to assets in the jurisdictions in which the Group and, following Completion, the Continuing Group operates or proposes to operate with any certainty and any contracts, concessions, licences, production sharing or other petroleum contracts, joint ventures or other legal agreements may not be enforceable under local laws. There can also be no assurance that the Group's and, following Completion, the Continuing Group's title to some of its concession or licence interests or other assets will not be challenged or impugned. Any such challenge could have a material adverse effect on the Group's and, following Completion, the Continuing Group's business, prospects and results of operations.

***The Group conducts business in jurisdictions with inherent risks relating to fraud, bribery and corruption***

The Group conducts and, following Completion, the Continuing Group will conduct business in a number of jurisdictions that have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it inherent risks associated with enforcement of the Group's and, following Completion, the Continuing Group's legal and contractual rights and third-party obligations, fraud, bribery and corruption.

Fraud, bribery and corruption are more common in some jurisdictions than in others. In addition, the oil and gas industries have historically been shown to be vulnerable to corrupt or unethical practices. While the Group maintains anti-corruption training programmes, codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for the Group to detect or prevent every instance of fraud, bribery or corruption in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. The Group and, following Completion, the Continuing Group may therefore be subject to civil and criminal penalties and to reputational damage.

In addition, prior to the Group's acquisition of Pharos El Fayum, neither Pharos El Fayum (then named Merlon Petroleum El Fayum Company) nor Petrosilah had a written comprehensive anti-corruption compliance programme in place in its business and there is a risk that instances of corruption have occurred within those organisations that have yet to come to light. Instances of fraud, bribery and

corruption, and violations of laws and regulations in the jurisdictions in which the Group operate, including the UK Bribery Act 2010, could have a material adverse effect on its results of operations and financial conditions. In addition, as a result of the Group's anti-corruption training programmes, codes of conduct and other safeguards, there is a risk that it and, following Completion, the Continuing Group could be at a commercial disadvantage and may fail to secure contracts and licences to the advantage of other companies who may not have to comply with such anti-corruption safeguards.

***Litigation could adversely affect the Group's business, results of operations or financial condition***

Members of the Group or, following Completion, the Continuing Group may, from time to time, face the risk of litigation in connection with its business. Recovery may be sought against members of the Group or the Continuing Group for very large and/or indeterminate amounts and the existence and scope of liability may remain unknown for substantial periods of time. Substantial legal liability in the future could have a material adverse effect on the Group's or, following Completion, the Continuing Group's business, results of operations and/or financial condition.

## PART III

### PRINCIPAL TERMS OF THE TRANSACTION

The following is a summary of the principal terms of the Transaction. The El Fayum FOA and the North Beni Suef FOA, together with the agreed forms of the El Fayum JOA and the North Beni Suef JOA, are available for inspection up to and including the date of the General Meeting, as described in paragraph 15 of Part VI (*Additional Information*) of this Circular.

#### 1. El Fayum FOA

##### 1.1 Introduction

The El Fayum FOA was entered into on 14 September 2021 between Pharos El Fayum (as seller), IPR Lake Qarun (as buyer) and IPR Energy AG (as guarantor of IPR Lake Qarun's obligations). Under the El Fayum FOA, Pharos El Fayum agreed to sell and dispose, and IPR Lake Qarun has agreed to purchase and acquire, the El Fayum Sale Interest.

##### 1.2 Conditions precedent and Break Fee

Pre-Completion and, ultimately, Completion under the El Fayum FOA are conditional upon the satisfaction or, where applicable, waiver of the following conditions:

- 1.2.1 Pharos El Fayum having submitted to EGPC the final conditions of the assignment from Pharos El Fayum to IPR Lake Qarun, and either (a) the receipt by Pharos El Fayum of a waiver by EGPC of its pre-emption rights in relation to the sale of the El Fayum Sale Interest; or (b) such pre-emption rights can no longer be validly exercised in relation to such sale because the time period for their exercise has expired without EGPC attempting to exercise them (the **"El Fayum EGPC Pre-Emption Condition"**);
- 1.2.2 the receipt, verbally or in writing, by Pharos El Fayum of EGPC's approval of the form of Deed of Assignment for the El Fayum Sale Interest, such Deed of Assignment containing an acknowledgment of IPR Lake Qarun as the operator under the El Fayum Concession and being in a form acceptable to Pharos El Fayum and IPR Lake Qarun acting reasonably;
- 1.2.3 Pharos El Fayum having notified IPR Lake Qarun that EGPC has confirmed to Pharos El Fayum, verbally or in writing, that the Replacement Guarantees are acceptable to EGPC;
- 1.2.4 the Third Concession Amendment having been signed by all parties thereto;
- 1.2.5 the shareholders of the Company having passed the Resolution to approve the Transaction (the **"Shareholder Approval Condition"**);
- 1.2.6 Pharos El Fayum having received from The Mauritius Commercial Bank Limited (**"MCB"**), prospective lenders to IPR, a letter addressed to Pharos El Fayum confirming that fully termed finance documentation has been signed between MCB and IPR Lake Qarun for a loan of US\$40 million on the same terms as those previously disclosed to Pharos El Fayum (the **"IPR Funding Condition"**); and
- 1.2.7 the satisfaction of the conditions precedent to the North Beni Suef FOA described in paragraph 3.2 below.

Pharos El Fayum may waive the IPR Funding Condition unilaterally. The other Conditions may only be waived by agreement between Pharos El Fayum and IPR Lake Qarun.

In relation to the Shareholder Approval Condition, if Pharos Shareholders vote on the Resolution and do not approve or pass the Resolution, Pharos El Fayum shall pay a fee of US\$1 million (the **"Break Fee"**) to IPR Lake Qarun within ten (10) days following such vote.

As at Latest Practicable Date, none of the Conditions stated above has been satisfied or waived, but in relation to the El Fayum EGPC Pre-Emption Condition, the final conditions of the assignment were submitted to EGPC on 16 September 2021.

If, by the long stop date of 14 May 2022 or such later date as the parties may agree (the “**CP Long Stop Date**”), any of the Conditions have not been satisfied or, as applicable, waived, the El Fayum FOA may be terminated by either principal party serving notice on the other, upon which the El Fayum FOA, other than certain specific continuing provisions, shall cease to have effect without liability except in respect of any prior breach or other accrued rights and obligations.

In addition, even if all of the Conditions are satisfied or waived by the CP Long Stop Date, these are only “pre-conditions” to formal Completion, which requires the approval of the Minister by the El Fayum Deed of Assignment. If, following satisfaction or waiver of all of the Conditions, the Minister does not subsequently approve both Deeds of Assignment by 14 September 2022 (or if the El Fayum Deed of Assignment is not approved by the Minister by the date which is thirty days after the approval of the North Beni Suef Deed of Assignment, or vice versa) then, unless otherwise agreed, the El Fayum FOA requires the parties to seek the return of the Deeds of Assignment and any applicable assignment bonus or, if necessary, to carry out the more formal unwinding procedure described in paragraph 1.14 below.

### 1.3 **Consideration and deposit**

The consideration payable by IPR Lake Qarun to Pharos El Fayum for the El Fayum Sale Interest has three principal elements:

- 1.3.1 the base consideration of US\$3 million, payable in cash within seven Business Days of Completion (the “**El Fayum Base Consideration**”); and
- 1.3.2 payment, or “carry”, by IPR Lake Qarun of the costs of Pharos El Fayum in respect of its retained 45% Contractor interest in the El Fayum Concession following Completion (the “**Retained El Fayum Interest**”), up to a maximum net carry of US\$36 million, as described in more detail in paragraph 1.4 below; and
- 1.3.3 a contingent consideration of up to US\$20 million in total depending on the Brent Price in each of the calendar years 2022, 2023, 2024 and 2025, as described in more detail in paragraph 1.6 below.

IPR Lake Qarun also paid to Pharos El Fayum, immediately following execution of the El Fayum FOA, a deposit of US\$1.2 million (the “**El Fayum Deposit**”). The El Fayum Deposit will be credited towards the El Fayum Base Consideration following Completion. If the El Fayum FOA is terminated without Completion having occurred, Pharos El Fayum will be required to repay the El Fayum Deposit to IPR Lake Qarun unless (a) termination occurs as a result of IPR Lake Qarun’s breach of the El Fayum FOA or the North Beni Suef FOA; or (b) completion under the El Fayum FOA has taken place but completion under the North Beni Suef FOA has not taken place as a result of IPR Lake Qarun’s breach of the North Beni Suef FOA, resulting in the parties being obliged to carry out the unwinding procedure described in paragraph 1.14 below.

### 1.4 **Assignment Bonus**

The El Fayum FOA provides that any bonus payable under the El Fayum Concession in respect of the assignment of the El Fayum Sale Interest pursuant to the El Fayum FOA (the “**El Fayum Assignment Bonus**”) will be met by the parties as follows.

- 1.4.1 Pharos El Fayum, as the assignor, will, subject to Pre-Completion otherwise occurring, pay the El Fayum Assignment Bonus to EGPC when requested to do so;
- 1.4.2 following Completion, IPR Lake Qarun will reimburse to Pharos El Fayum the full amount of the El Fayum Assignment Bonus at the same time as payment of the El Fayum Base Consideration; and

- 1.4.3 the amount by which the El Fayum Assignment Bonus exceeds US\$1 million (the “**El Fayum Bonus Excess**”) will then be deducted from the El Fayum Carried Costs (as defined in paragraph 1.5.1 below).

## 1.5 ***Carry of the Retained El Fayum Interest***

Under the El Fayum FOA, IPR Lake Qarun undertakes to pay, or carry, the costs of Pharos El Fayum attributable to the Retained El Fayum Interest under the El Fayum JOA or the El Fayum Concession in respect of the period from and including the date of Completion on a cash basis on the following principal terms:

- 1.5.1 the total amount of the carried costs, net to the Retained El Fayum Interest (the “**El Fayum Carried Costs**”), will be determined from a base carry amount of US\$36 million subject to the following adjustments: (a) the deduction of the El Fayum Working Capital Adjustment (as defined in paragraph 1.7.2 below) (b) the deduction of the El Fayum Bonus Excess, if any; (c) the deduction of an agreed amount of US\$3.025 million to reflect possible future decommissioning liabilities; (d) the deduction of receipts from the sale, supply or other disposal of petroleum relating to the El Fayum Sale Interest from the Economic Date (the “**El Fayum Petroleum Receipts Adjustment**”); (e) the deduction of other receipts paid or credited to Pharos El Fayum relating to the El Fayum Sale Interest from the Economic Date (the “**El Fayum Non-Petroleum Receipts Adjustment**”); (f) the addition of sums paid by Pharos El Fayum in relation to the period between the Economic Date and Completion either (i) to Petrosilah under the El Fayum Concession, or (ii) as costs incurred under the El Fayum Concession, any guarantee relating thereto or in respect of the Stratton ORRI (as defined in paragraph 1.12 below), other than the El Fayum Assignment Bonus (the “**El Fayum Invoicing Adjustment**”); (g) the addition of other costs incurred by Pharos El Fayum in respect of the El Fayum Sale Interest in relation to the period between the Economic Date and Completion (the “**El Fayum Other Costs Adjustment**”) and (h) any adjustment required in relation to the Third Concession Amendment as described in paragraph 1.8.1 below;
- 1.5.2 the amount of the El Fayum Carried Costs will also be supplemented by any part of the North Beni Suef Carried Costs (as defined in paragraph 3.5.1 below) that has not been used within two years after completion under the North Beni Suef FOA; and
- 1.5.3 Pharos El Fayum will remain entitled to the cost petroleum (or cost recovery petroleum) attributable to the El Fayum Carried Costs as if the El Fayum Carried Costs had been paid by Pharos El Fayum directly.

The El Fayum FOA contains a mechanism for independent determination of the El Fayum Petroleum Receipts Adjustment, the El Fayum Non-Petroleum Receipts Adjustment, the El Fayum Invoicing Adjustment and the El Fayum Other Costs Adjustment in the absence of agreement between the parties of these amounts within specified timescales.

If any of the El Fayum Carried Costs, including any unused North Beni Suef Carried Costs supplementing the El Fayum Carried Costs, are not used by the date falling two years and six months after Completion, then IPR Lake Qarun shall, within 10 Business Days, pay to Pharos El Fayum the amount of the unused El Fayum Carried Costs in cash.

## 1.6 ***Contingent consideration***

Under the El Fayum FOA, additional contingent consideration (the “**Brent Price Contingent Consideration**”) will be payable in respect of each of the calendar years 2022, 2023, 2024 and 2025 if the Brent Price in that calendar year exceeds US\$62 per barrel. The Brent Price Contingent Consideration for each year will be equal to the amount by which the Brent Price for that year exceeds US\$62 per barrel (rounded down to the nearest dollar or half-dollar) multiplied by US\$175,000. By way of illustrative example, if the Brent Price for the calendar year 2022 was US\$75.25 per barrel, the Brent Price Contingent Consideration for that year would be US\$2,275,000 (rounding down the Brent Price to US\$75, representing an excess of US\$13 per barrel, and then multiplying that excess by US\$175,000).

Subject to paragraph 1.8.2 below, the maximum Brent Price Contingent Consideration payable in respect of each applicable calendar year is capped at US\$5 million and, accordingly, the maximum total Brent Price Contingent Consideration is US\$20 million. The Brent Price Contingent Consideration, if any, payable in respect of a calendar year will be due to Pharos El Fayum on 1 June in the immediately following calendar year.

#### **1.7 *Economic Date and working capital adjustment***

The El Fayum FOA is structured such that, notwithstanding the date of the agreement and the date of Completion, the sale and transfer of the El Fayum Sale Interest by Pharos El Fayum to IPR Lake Qarun takes effect, or is treated as taking effect, from the Economic Date of 1 July 2020 as between the parties to the El Fayum FOA. As a consequence the El Fayum FOA provides for:

- 1.7.1 the apportionment of benefits and liabilities attributable or accruing to the El Fayum Sale Interest as at the Economic Date (subject to the treatment of environmental and decommissioning liabilities described in paragraph 1.10.3 below); and
- 1.7.2 an agreed working capital adjustment relating to the El Fayum Sale Interest of US\$4,916,553 as at the Economic Date (the “**El Fayum Working Capital Adjustment**”), such amount to be deducted from the El Fayum Carried Costs.

#### **1.8 *Third Concession Amendment***

As stated in paragraph 1.2.4 above, a Condition under the El Fayum FOA is the Third Concession Amendment having been signed by all parties thereto. The Third Concession Amendment proposes a number of changes to the fiscal and other terms of the El Fayum Concession and, as stated in the Company's announcement of 30 March 2021 and its subsequent trading and operational update published on 14 July 2021, has been approved provisionally by EGPC. In addition, and as announced by the Company on 1 November 2021, the Third Concession Amendment has been approved by the Cabinet of Egypt. It remains subject to ratification by the Egyptian Parliament, approval by the Egyptian President and signature by the parties thereto.

Details of the principal changes proposed to the fiscal and other terms of the El Fayum Concession under the Third Concession Amendment are set out in paragraph 10.1(i) of Part VI (*Additional Information*) of this Circular.

The parties to the El Fayum FOA may agree to waive the Condition relating to the Third Concession Amendment. If they do so, and Completion occurs before signature of the Third Concession Amendment, then:

- 1.8.1 the amount of the El Fayum Carried Costs shall be reduced by the greater of (i) fifty per cent (50%) of that amount and (ii) US\$17.44 million until such signature occurs, at which point the El Fayum Carried Costs shall be increased to what it would have been had the Third Concession Amendment been signed before Completion; and
- 1.8.2 in relation to the Brent Price Contingent Consideration, if the Third Concession Amendment has not been signed before the payment date relating to any relevant calendar year to which the Brent Price Contingent Consideration applies (being 1 June of the following calendar year), then fifty per cent (50%) of the Brent Price Contingent Consideration payable in respect of that calendar year will be paid on such date and the remaining fifty per cent (50%) will be payable only following signature of the Third Concession Amendment.

#### **1.9 *Conduct prior to Completion***

During the period between the date of the El Fayum FOA and Completion, Pharos El Fayum has agreed, subject to the terms of the El Fayum Concession, to certain interim period covenants set out in the El Fayum FOA, including, amongst others:

- 1.9.1 to keep IPR Lake Qarun fully informed in a timely manner of matters (not of a routine or minor nature) relating to the El Fayum Sale Interest;

- 1.9.2 to make available or allow IPR Lake Qarun access to all information, data and other material reasonably requested by it from time to time relating to the El Fayum Sale Interest including operations conducted in respect thereof;
- 1.9.3 not to incur costs in relation to the El Fayum Sale Interest in excess of US\$0.5 million subject to certain permitted exceptions, including the agreed interim period budget (with an overspend tolerance of 10%) appended as a schedule to the El Fayum FOA, other previously agreed costs and emergency expenditure for the safeguarding of lives or property or the prevention of pollution; and
- 1.9.4 other than as contemplated by the El Fayum FOA, not to enter into any contractual commitments chargeable to the El Fayum Sale Interest outside the ordinary course of business and past practice.

#### 1.10 ***Warranties and indemnities***

Under the El Fayum FOA, Pharos El Fayum has given, as at the date of the agreement, certain warranties to IPR Lake Qarun in relatively customary terms for a transaction of the type. Certain of those warranties relating to Pharos El Fayum's unencumbered title to the El Fayum Sale Interest will be repeated at Completion.

IPR Lake Qarun and IPR Energy AG have also given, as at the date of the El Fayum FOA, warranties to Pharos El Fayum in respect of certain fundamental matters, including corporate status, solvency, their authority capacity to enter into and perform the El Fayum FOA and other transactions contemplated by the El Fayum FOA and the enforceability of the El Fayum FOA.

The El Fayum FOA also contains certain indemnities in relatively customary form for a transaction of the type, including:

- 1.10.1 indemnities from each party in relation to compliance with anti-corruption and anti-bribery laws and regulation; and
- 1.10.2 indemnities from each party intended to effect the general allocation of obligations and benefits attributable or accruing to the El Fayum Sale Interest as at the Economic Date, save (a) in respect of the treatment of environmental and decommissioning liabilities as set out in paragraph 1.10.3 below, and (b) to the extent already taken into account in the El Fayum Working Capital Adjustment or other adjustment provided for in the El Fayum FOA; and
- 1.10.3 an indemnity from IPR Lake Qarun to Pharos El Fayum in respect of environmental and decommissioning liabilities, whether arising before, on or after the Economic Date, attributable to the El Fayum Sale Interest, other than in relation to amounts paid by the Group in relation to work carried out prior to the Economic Date to discharge an environmental or decommissioning obligation or liability.

#### 1.11 ***Limitations on liability for warranty claims***

Pharos El Fayum's liability under the warranties given by it under the El Fayum FOA is subject to certain customary limitations and exclusions and, in addition, the warranties are qualified by certain information and documents agreed as disclosed against the warranties. The limitations and exclusions on Pharos El Fayum's liability under the warranties include the following:

- 1.11.1 Pharos El Fayum has no liability for any warranty claim unless it has received from the claiming party written notice: (a) relating to title and certain other fundamental warranties, within three (3) years of Completion; or (b) relating to any other warranties, within eighteen (18) months of Completion;
- 1.11.2 the total liability of Pharos El Fayum in respect of all warranty claims when taken together shall not exceed an amount equal to the total consideration payable by IPR Lake Qarun for the El Fayum Sale Interest; and
- 1.11.3 Pharos El Fayum has no liability under the warranties: unless and until (i) the amount of liability in respect of each individual claim, or a series of connected relevant claims

against it, exceeds an amount equal to US\$65,000, and (ii) the aggregate amount of liability of Pharos El Fayum in respect of all claims exceeding the sum set out in (i) exceeds an amount equal to US\$0.65 million (in which event, the whole of such aggregate amount is recoverable and not simply the excess).

Similar limitations apply to the fundamental warranties given by IPR Lake Qarun and IPR Energy AG under the El Fayum FOA.

#### 1.12 **Stratton ORRI**

As stated in the 2018 Acquisition Circular, under the terms of a letter agreement dated 17 May 2005, Pharos El Fayum granted Stratton Corporation ("**Stratton**") an overriding royalty interest (the "**Stratton ORRI**") in the El Fayum Concession in payment for services rendered in obtaining the concession area. Such overriding interest is equal to 3 per cent. of Pharos El Fayum's share of petroleum saved and sold from the El Fayum Concession as excess cost recovery petroleum (being the amount, if any, by which the value of the maximum cost recovery petroleum of a given quarter exceeds the total costs eligible for recovery in the same quarter) and production sharing petroleum. In relation to the Stratton ORRI or any replacement agreement, the El Fayum FOA provides that:

- 1.12.1 the Stratton ORRI is apportioned as at the Economic Date in relation to petroleum produced and sold from the El Fayum Concession and will be taken into account in the El Fayum Invoicing Adjustment (and to the extent not so taken into account shall be paid by IPR Lake Qarun to Pharos El Fayum upon request accompanied by relevant supporting documentation);
- 1.12.2 Pharos El Fayum shall have the right to agree with Stratton a deferral to the due date for payment of the amounts payable under the Stratton ORRI to the extent they relate to petroleum produced before Completion and then sold;
- 1.12.3 Pharos El Fayum and IPR Lake Qarun will use their reasonable endeavours to procure that Stratton agrees that IPR Lake Qarun becomes a direct party to the letter agreement constituting the Stratton ORRI and that each of Pharos El Fayum and IPR Lake Qarun is liable to Stratton for its own share of the Stratton ORRI; and
- 1.12.4 until such agreement is obtained from Stratton, Pharos El Fayum will continue to deal with Stratton in respect of the Stratton ORRI but the parties to the El Fayum FOA will, as between themselves, bear liability for their own share of the Stratton ORRI, with IPR Lake Qarun being responsible for the amounts due under the Stratton ORRI attributable to the Sale Interest relating on an accruals basis to the period on or after Completion and indemnifying Pharos El Fayum *inter alia* for this share of the Stratton ORRI, together with any interest and penalties incurred thereon to Stratton (save where such interest or penalties are incurred due to Pharos El Fayum's failure to pay to Stratton in a timely fashion sums received from IPR Lake Qarun in relation to its share of the Stratton ORRI).

In addition, the El Fayum FOA provides that if, at Completion, there is an outstanding balance under the Stratton ORRI from the equivalent outstanding balance at the Economic Date ("**Outstanding Economic Date ORRI**"), the El Fayum Carried Costs shall be reduced by the amount of this Outstanding Economic Date ORRI. Thereafter, whenever the Outstanding Economic Date ORRI is reduced by payment or release or otherwise, the El Fayum Carried Costs shall be increased by an amount equal to the amount of such reduction. If the Outstanding Economic Date ORRI is reduced to zero, or Stratton confirms, or it is otherwise determined, that IPR Lake Qarun has no liability to Stratton for the Outstanding Economic Date ORRI, any such reduction to the El Fayum Carried Costs will be reversed and any necessary balancing payment(s) made by IPR Lake Qarun to Pharos El Fayum.

#### 1.13 **Guarantee by IPR Energy AG**

The obligations of IPR Lake Qarun under the El Fayum FOA, both financial and non-financial, are guaranteed by the immediate parent company of IPR Lake Qarun, IPR Energy AG. The guarantee is given by IPR Energy AG to Pharos El Fayum as a primary obligor and not only as a surety.

As IPR Energy is not the ultimate holding company of the IPR Energy Group, the EI Fayum FOA also includes:

- 1.13.1 a warranty from IPR Lake Qarun and IPR Energy AG that no legal and/or beneficial interests in an IPR Energy Group E&P assets in Egypt or Pakistan held at the date of the agreement ("**IPR Group E&P Asset**") are held by a member of the IPR Energy Group that is not a wholly owned subsidiary of IPR Energy AG; and
- 1.13.2 an undertaking by IPR Lake Qarun and IPR Energy AG that, if at any time the legal and/or beneficial interest in an IPR Group E&P Asset is held by an IPR Group entity which is not a wholly owned subsidiary of IPR Energy AG, then they shall procure that a guarantee, in equivalent terms is granted by such entity in favour of Pharos EI Fayum no later than the time such entity acquires such relevant interest or ceases to be a wholly owned subsidiary of the IPR Energy AG, as the case may be.

#### 1.14 **Termination and unwinding procedure**

IPR Lake Qarun has the right to terminate the EI Fayum FOA before Completion on notice to Pharos EI Fayum in the event of breach of certain of the fundamental warranties given by Pharos EI Fayum relating to its unencumbered title to the EI Fayum Sale Interest. If such notice of termination is given after Pre-Completion but before Completion, the EI Fayum FOA provides for the parties to inform EGPC and the Minister that they do not wish to proceed with the relevant assignment and request the return of the Assignment Bonus and the Replacement Guarantees and the return of the Deed of Assignment without it being executed by the Minister.

Each of Pharos EI Fayum and IPR Lake Qarun also has the right to terminate the EI Fayum FOA before Completion as a result of certain change of control events affecting the other party where such an event occurs before Pre-Completion.

In addition to the termination provisions described above, the EI Fayum FOA contains a procedure seeking to "unwind" the transfer and assignment of the EI Fayum Sale Interest in the event that the Deed of Assignment for the EI Fayum Sale Interest is signed by EGPC and the Minister but the Deed of Assignment for the North Beni Suef Sale Interest is not signed by EGPC and the Minister before the long stop date for Completion. The procedure involves the parties using their best endeavours to obtain the approval of EGPC to the form of the deed of assignment transferring the EI Fayum Sale Interest back from IPR Lake Qarun to Pharos EI Fayum (the "**Deed of Reassignment**"), executing the Deed of Reassignment approved by EGPC and using their best endeavours to procure the Minister executes the Deed of Reassignment, together with dealing with various ancillary matters including termination of the EI Fayum JOA, transfer of any shares in Petrosilah previously transferred, the payment of any bonus due in relation to the Deed of Reassignment and, if Pharos EI Fayum requests, the reinstatement of Pharos EI Fayum as operator and the reinstatement of Pharos EI Fayum nominees as Contractor representatives on the Petrosilah Board. Any Assignment Bonus payable in connection with the Deed of Reassignment will be paid by Pharos EI Fayum.

An equivalent "unwinding" procedure applies in the reverse situation – that is, where the Deed of Assignment for the North Beni Suef Sale Interest is signed by EGPC and the Minister but the Deed of Assignment for the EI Fayum Sale Interest is not signed by EGPC and the Minister before the long stop date for Completion – save that there is no requirement to transfer back shares in Petrosilah in that situation and no requirement for the reinstatement of Pharos EI Fayum nominees as Contractor representatives on the Petrosilah board.

#### 1.15 **Employees**

IPR Lake Qarun is not obliged to take on any of the Group's staff in Egypt or elsewhere. However, under the EI Fayum FOA, IPR Lake Qarun has agreed to reimburse to Pharos EI Fayum the severance and other payments made or required by law as a result of an employee of the Group based in Egypt ceasing to be an employee of the Group between the date of the agreement and the date 6 months after Completion if the individual concerned becomes an employee or consultant of the IPR Energy Group within 6 months after ceasing to be an employee of the Group.

### 1.16 **Governing law**

The El Fayum FOA is governed by the law of England and Wales.

### 1.17 **Dispute resolution**

In the event of a dispute arising out of or relating to the El Fayum FOA a party may, within ten (10) Business Days of notification of the dispute by or to that party, request that the parties seek settlement of that dispute by mediation in accordance with the LCIA Mediation Rules. Any dispute not referred to mediation, or which is referred to mediation but not settled within sixty (60) days of the notice of mediation being given, shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules.

## 2. **El Fayum JOA**

### 2.1 **Introduction**

The El Fayum JOA is an agreed form document to be entered into between Pharos El Fayum and IPR Lake Qarun at Completion, intended to govern their relationship as parties comprising the Contractor Party under the El Fayum Concession. Under the El Fayum JOA, IPR Lake Qarun will assume operatorship of the El Fayum Concession, as between the parties comprising the Contractor Party.

The form of the El Fayum JOA is based on the AIPN Model Form Joint Operating Agreement, with certain modifications to reflect, amongst other things, the terms of the El Fayum Concession, local law and regulation, the region of operations and the fact that Petrosilah, the joint stock company owned by the parties comprising the Contractor Party and EGPC, is the operating company under the El Fayum Concession.

### 2.2 **Governance of Petrosilah as operating company under the El Fayum Concession**

As stated above, Petrosilah is designated as the operating company under the El Fayum Concession. Petrosilah is a joint stock company incorporated in Egypt, with each of Pharos El Fayum and EGPC holding 50% of its capital stock prior to Completion. Under the Transaction, Pharos El Fayum will transfer a 27.5% interest in the capital stock of Petrosilah to IPR Lake Qarun, with Pharos El Fayum retaining a 22.5% interest. EGPC's 50% interest in the capital stock of Petrosilah will remain unchanged as a result of the Transaction. The Petrosilah Board comprises four representatives of EGPC and four representatives of the Contractor. Currently the four directors representing the Contractor are appointees of Pharos El Fayum.

The El Fayum JOA provides that IPR Lake Qarun, as operator, will have the right to appoint three directors to the Petrosilah Board as representatives of the Contractor, with Pharos El Fayum having the right to appoint the remaining director representing the Contractor. EGPC will retain its four directors on the Petrosilah Board.

The appointment of IPR Lake Qarun as operator under the El Fayum JOA has no effect on the status of Petrosilah as designated operating company under the El Fayum Concession or any joint operations to be carried out by Petrosilah under the El Fayum Concession. However, the El Fayum JOA provides that the directors representing the relevant Contractor party shall vote at Petrosilah Board meetings in accordance with the instructions of the El Fayum Operating Committee (as defined in paragraph 2.4 below). If a matter is proposed at the Petrosilah Board in relation to which the Operating Committee has not given instructions, each party to the El Fayum JOA shall procure that the director nominated by it shall vote to defer consideration of that matter at the Petrosilah Board until after the Operating Committee has given instructions.

### 2.3 **Participating Interests**

Immediately following execution of the El Fayum JOA the participating interests of the parties under the El Fayum JOA will be:

IPR Lake Qarun	55% and operatorship
Pharos El Fayum	45%

## 2.4 ***Operating Committee and Pass Mark***

The El Fayum JOA will establish an operating committee (the “**El Fayum Operating Committee**”), with the general power and duty to authorise and supervise joint operations under the El Fayum Concession, subject to applicable laws and the provisions of the El Fayum Concession itself. The decisions of the El Fayum Operating Committee will be binding upon the parties to the El Fayum JOA but not directly on Petrosilah or EGPC. Each party to the El Fayum JOA shall have the right to appoint one representative and one alternate representative to serve on the El Fayum Operating Committee. The designated operator under the El Fayum JOA, initially IPR Lake Qarun, shall have the right to appoint the chairman of the El Fayum Operating Committee and all subcommittees.

Subject to certain matters requiring unanimous approval and other exceptions, decisions, approvals, and other actions of the El Fayum Operating Committee on all proposals coming before it shall be decided by the affirmative vote of two (2) or more non-affiliated parties then having collectively at least seventy per cent (70%) of the participating interests in the El Fayum JOA. Matters requiring the unanimous approval of the parties to the El Fayum JOA as joint operations include (subject in certain cases to the operator and any other assenting party or parties being entitled to proceed as an exclusive operation described in paragraph 2.7):

- 2.4.1 the surrender or relinquishment of any part of the El Fayum Concession area (subject to a process for determining any lack of unanimity over satisfaction of mandatory relinquishment obligations);
- 2.4.2 any amendment to the minimum work obligations under the El Fayum Concession;
- 2.4.3 determination of a discovery as a “Commercial Discovery” (as defined in the El Fayum Concession), the decision to issue a notice of Commercial Discovery and the approval of a work programme and budget to prepare a development plan and Development Lease application;
- 2.4.4 the decision to submit an application for a Development Lease and the approval of a development plan;
- 2.4.5 any amendment to the El Fayum Concession;
- 2.4.6 any decision to abandon joint operations, including any decision to terminate the El Fayum Concession; and
- 2.4.7 unitisation with an adjoining contract area.

## 2.5 ***Operator liability***

The El Fayum JOA contains a relatively customary provision limiting the liability of the operator, other than as to its own participating interest, for damage, loss, cost, or liability resulting from performing (or failing to perform) the duties and functions of the operator, save in certain situations involving the wilful misconduct of the operator. This limitation is supported by an indemnity from the non-operator parties, again in relatively customary terms.

## 2.6 ***Work Programmes and Budgets***

The El Fayum JOA recognises a distinction between annual work programmes and budgets prepared by the operator and submitted to the El Fayum Operating Committee under the El Fayum JOA (“**El Fayum JOA Work Programme and Budget**”) and annual work programmes and budgets approved by the Petrosilah Board under the El Fayum Concession and the charter and the by-laws of Petrosilah (“**Petrosilah Work Programme and Budget**”). If an El Fayum JOA Work Programme and Budget is approved by the El Fayum Operating Committee, the operator shall, subject to the terms of the El Fayum JOA, be authorised to conduct the joint operations set out in such approved El Fayum JOA Work Programme and Budget unless these are to be carried out by Petrosilah pursuant to a Petrosilah Work Programme and Budget. A Petrosilah Work Programme and Budget, or any revision thereto, approved by the Petrosilah Board, shall be deemed to be approved by the El Fayum Operating Committee and the operator shall be authorised to make payments to Petrosilah pursuant to such Petrosilah Work Programme and Budget.

## **2.7 *Exclusive Operations/Operations by fewer than all parties***

The El Fayum JOA provides for certain exploration, appraisal or development activities to be undertaken by fewer than all parties to the agreement as an “Exclusive Operation” rather than as a joint operation, subject to the terms and conditions of the El Fayum Concession. Minimum work obligations may not be carried out as Exclusive Operation. Any party not initially participating in an Exclusive Operation will, under the terms of the El Fayum JOA, have a limited right to elect subsequently to participate in the Exclusive Operation on payment of a premium of either three times or five times (depending on the nature of the activity) that party’s participating interest share of all costs and liabilities incurred in the Exclusive Operation.

## **2.8 *Financial thresholds for contract awards, claims, etc.***

The El Fayum JOA provides for a three tier procedure for the award of contracts relating to joint operations, where such award is made by the operator under the El Fayum JOA rather than Petrosilah. Broadly, the operator may award contracts with a value of up to US\$0.5 million without a tender process and without El Fayum Operating Committee approval. Contracts with a value of between US\$0.5 million and US\$3 million (or US\$2 million for exploration or appraisal operations) require the operator to undertake a tender process with some involvement from the other parties but without the need for El Fayum Operating Committee approval. Contracts with a higher value require the operator to undertake a tender process and to obtain El Fayum Operating Committee approval before award. The procedure for awarding contracts by Petrosilah shall be determined by the Petrosilah Board.

The El Fayum JOA also confers authority on the operator in its sole discretion to compromise or settle any such claim or suit or any related series of claims or suits in relation to any joint operations for an amount up to US\$0.5 million exclusive of legal fees. The approval of the El Fayum Operating Committee is required in relation to compromises or settlements for amounts above US\$0.5 million.

## **2.9 *Assignment, change of control, pre-emption and withdrawal***

The El Fayum JOA provides that each of the parties may, subject always to the El Fayum Concession, assign their participating interest in the El Fayum JOA:

- 2.9.1 provided that the assignment does not result in either the assignor or the assignee holding a participating interest of less than 10% (subject to certain limited exceptions);
- 2.9.2 where the assignment or proposed assignment is to an affiliate of the assignor, with the consent in writing of the other parties to the El Fayum JOA, such consent to be denied only if (i) the assignee fails to establish to the reasonable satisfaction of each party its ability to comply with the provisions of the El Fayum JOA relating to anti-corruption and anti-bribery matters, and the assignor agrees in an instrument reasonably satisfactory to the other parties to remain liable for its affiliate’s performance of its obligations or (ii) the assignee is a sanctioned entity; and
- 2.9.3 where the assignment or proposed assignment is to a party other than an affiliate of the assignor, with the consent in writing of the other parties to the El Fayum JOA, such consent to be denied only if (i) the assignee fails to establish to the reasonable satisfaction of each party its financial capability to perform its payment obligations under the El Fayum JOA and the El Fayum Concession, its technical capability to contribute to the planning and conduct of joint operations, its ability to comply with the provisions of the El Fayum JOA relating to anti-corruption and anti-bribery matters or the enforceability of remedies under the El Fayum JOA against such assignee or (ii) the assignee is a sanctioned entity.

The El Fayum JOA also includes a right of pre-emption of the other parties in the event of an assignment or proposed assignment to an assignee that is not an affiliate of the assignor. This right of pre-emption includes provision for agreement or determination of the value of a proposed assignment for consideration other than cash or where it forms part of a wider transaction. Broadly, each party to the El Fayum JOA entitled to pre-emption in respect of a proposed assignment will have a period of 30 days to exercise its right of pre-emption and, in the event that no such right of pre-emption is exercised, the proposed assignor will have a period of 180 days

plus such additional period as may be required to secure governmental approvals to conclude the assignment to the proposed non-affiliated assignee.

The El Fayum JOA provides that, subject to the El Fayum Concession, any party not in default may, after fulfilment of all minimum work obligations, withdraw from the El Fayum JOA and the El Fayum Concession by giving notice to all other parties and subject, amongst other things, to the party proposing to withdraw remaining liable for its share of certain costs, including (a) expenditure under any El Fayum JOA Work Programme and Budget approved by the El Fayum Operating Committee before the effective date of withdrawal, (b) expenditure related to an emergency occurring before the effective date of withdrawal, regardless of when such expenditure is incurred, and (c) abandonment costs relating to all property at the date of notice of withdrawal and any property the drilling, construction or acquisition of which was approved by the El Fayum Operating Committee prior to the date of the notice of withdrawal.

#### **2.10 Default**

The El Fayum JOA contains relatively customary default provisions, with the penalties and consequences of default escalating over time. Ultimately a party in persistent default may be required to withdraw completely from the El Fayum JOA at the discretion of a non-defaulting party, subject to the approval of EGPC and the Minister. Alternatively a defaulting party may, at the discretion of a non-defaulting party subject again to the approval of EGPC and the Minister, have its participating interest subject to “withering”, requiring the transfer or assignment of a percentage of its participating interest (such percentage being determined with reference to the market value, as either agreed between the parties or determined by an expert, discounted by 20%) to settle outstanding amounts due under the JOA by the defaulting party. A non-defaulting party or parties receiving the transfer or assignment of the participating interest (or part thereof) from a defaulting party under the “withering” process is then required to pay the corresponding and proportionate share of the outstanding amount in default.

#### **2.11 Combined El Fayum JOA and North Beni Suef JOA cap on Operator G&A and subsequent cap on El Fayum Operator G&A**

The El Fayum JOA provides that Operator G&A charged to the joint accounts under the El Fayum JOA and the North Beni Suef JOA shall be subject to a combined cap of US\$2 million per year to the end of 2022. This combined cap will be allocated between the joint accounts established under the El Fayum JOA and the North Beni Suef JOA on a fair and equitable basis approved by the El Fayum Operating Committee. From the start of 2023, the cap will cease to apply to the North Beni Suef JOA but will continue to apply to Operator G&A under the El Fayum JOA, subject to indexation from 1 January in the year following the second anniversary of Completion. Indexation in each year shall be at the greater of (i) 5%; and (ii) the increase in the Egyptian Consumer Price Index for the twelve (12) month period ending three (3) months prior to the start of the relevant year.

#### **2.12 Governing law**

The El Fayum JOA will be governed by, and interpreted in accordance with, the law of England and Wales.

#### **2.13 Dispute Resolution**

Any dispute, controversy or claim arising out of, relating to, or connected with the El Fayum JOA or the operations and activities carried out under the El Fayum JOA will be resolved through final and binding arbitration in accordance with the LCIA Rules of Arbitration, subject to:

- 2.13.1 certain specific decisions under the El Fayum JOA being referable to an expert for determination, such expert to be appointed by the LCIA on the application of a party; and
- 2.13.2 the obligation on the relevant parties to seek to resolve any dispute by negotiation between senior executives prior to initiating arbitration, unless the El Fayum JOA expressly provides for the dispute to be referred to expert determination.

### **3. North Beni Suef FOA**

#### **3.1 Introduction**

The North Beni Suef FOA was entered into on 14 September 2021 between Pharos El Fayum (as seller), IPR Lake Qarun (as buyer) and IPR Energy AG (as guarantor of IPR Lake Qarun's obligations). Under the North Beni Suef FOA Pharos El Fayum agreed to sell and dispose, and IPR Lake Qarun has agreed to purchase and acquire, the North Beni Suef Sale Interest.

#### **3.2 Conditions precedent**

Pre-Completion and, ultimately, Completion under the North Beni Suef FOA are conditional upon the satisfaction or, where applicable, waiver of the following conditions:

- 3.2.1 Pharos El Fayum having submitted to EGPC the final conditions of the assignment from Pharos El Fayum to IPR Lake Qarun, and either (a) the receipt by Pharos El Fayum of a waiver by EGPC of its pre-emption rights in relation to the sale of the North Beni Suef Sale Interest; or (b) such pre-emption rights can no longer be validly exercised in relation to such sale because the time period for their exercise has expired without EGPC attempting to exercise them (the "**North Beni Suef EGPC Pre-Emption Condition**");
- 3.2.2 the receipt, verbally or in writing, by Pharos El Fayum of EGPC's approval of the form of Deed of Assignment for the North Beni Suef Sale Interest, such Deed of Assignment containing an acknowledgment of IPR Lake Qarun as the operator under the North Beni Suef Concession and being in a form acceptable to Pharos El Fayum and IPR Lake Qarun acting reasonably;
- 3.2.3 Pharos El Fayum having notified IPR Lake Qarun that EGPC has confirmed to Pharos El Fayum, verbally or in writing, that the Replacement Guarantees are acceptable to EGPC;
- 3.2.4 the Third Concession Amendment having been signed by all parties thereto;
- 3.2.5 the Shareholder Approval Condition;
- 3.2.6 the IPR Funding Condition; and
- 3.2.7 the satisfaction of the conditions precedent to the El Fayum FOA described in paragraph 1.2 above.

Pharos El Fayum may waive the IPR Funding Condition unilaterally. The other Conditions may only be waived by agreement between Pharos El Fayum and IPR Lake Qarun.

As at Latest Practicable Date, none of the Conditions stated above has been satisfied or waived, but in relation to the North Beni Suef EGPC Pre-Emption Condition, the final conditions of the assignment were submitted to EGPC on 16 September 2021.

If, by the CP Long Stop Date, any of the Conditions have not been satisfied or, as applicable, waived, the North Beni Suef FOA may be terminated by either principal party serving notice on the other, upon which the North Beni Suef FOA, other than certain specific continuing provisions, shall cease to have effect without liability except in respect of any prior breach or other accrued rights and obligations.

In addition, even if all of the Conditions are satisfied or waived by the CP Long Stop Date, these are only "pre-conditions" to formal Completion, which requires the approval of the Minister by the North Beni Suef Deed of Assignment. If, following satisfaction or waiver of all of the Conditions, the Minister does not subsequently approve both Deeds of Assignment by 14 September 2022 (or if the North Beni Suef Deed of Assignment is not approved by the Minister by the date which is thirty days after the approval of the El Fayum Deed of Assignment, or vice versa) then, unless otherwise agreed, the North Beni Suef FOA requires the parties to seek the return of the Deeds of Assignment and any applicable assignment bonus or, if necessary, to carry out the more formal unwinding procedure described in paragraph 3.11 below.

### 3.3 **Consideration and deposit**

The consideration payable by IPR Lake Qarun to Pharos El Fayum for the North Beni Suef Sale Interest has two principal elements:

- 3.3.1 the base consideration of US\$2 million, payable in cash within seven Business Days of Completion (the “**North Beni Suef Base Consideration**”); and
- 3.3.2 payment, or “carry”, by IPR Lake Qarun of the costs of Pharos El Fayum in respect of its retained 45% Contractor interest in the North Beni Suef Concession following Completion (the “**Retained North Beni Suef Interest**”), up to a maximum net carry of US\$6 million, as described in more detail in paragraph 3.5 below.

IPR Lake Qarun also paid to Pharos El Fayum, immediately following execution of the North Beni Suef FOA, a deposit of US\$0.8 million (the “**North Beni Suef Deposit**”). The North Beni Suef Deposit will be credited towards the North Beni Suef Base Consideration following Completion. If the North Beni Suef FOA is terminated without Completion having occurred, Pharos El Fayum will be required to repay the North Beni Suef Deposit to IPR Lake Qarun unless (a) termination occurs as a result of IPR Lake Qarun’s breach of the El Fayum FOA or the North Beni Suef FOA; or (b) completion under the North Beni Suef FOA has taken place but completion under the El Fayum FOA has not taken place as a result of IPR Lake Qarun’s breach of the El Fayum FOA, resulting in the parties being obliged to carry out the unwinding procedure described in paragraph 3.11 below.

### 3.4 **Assignment Bonus**

The North Beni Suef FOA provides that any bonus payable under the North Beni Suef Concession in respect of the assignment of the North Beni Suef Sale Interest pursuant to the North Beni Suef FOA (the “**North Beni Suef Assignment Bonus**”) will be met by the parties as follows.

- 3.4.1 Pharos El Fayum, as the assignor, will subject to Pre-Completion otherwise occurring, pay the North Beni Suef Assignment Bonus to EGPC when requested to do so; and
- 3.4.2 following Completion, IPR Lake Qarun will reimburse to Pharos El Fayum the full amount of the North Beni Suef Assignment Bonus at the same time as payment of the North Beni Suef Base Consideration.

### 3.5 **Carry of the Retained North Beni Suef Interest**

Under the North Beni Suef FOA, IPR Lake Qarun undertakes to pay, or carry, the costs of Pharos El Fayum attributable to the Retained North Beni Suef Interest under the North Beni Suef JOA or the North Beni Suef Concession in respect of the period from and including the date of Completion on a cash basis on the following principal terms:

- 3.5.1 the total amount of the carried costs, net to the Retained North Beni Suef Interest (the “**North Beni Suef Carried Costs**”), will be determined from a base carry amount of US\$6 million subject to the following adjustments: (a) the deduction of any non-petroleum receipts paid or credited to Pharos El Fayum relating to the North Beni Suef Sale Interest from the Economic Date (the “**North Beni Suef Non-Petroleum Receipts Adjustment**”); (b) the addition of sums paid by Pharos El Fayum in relation to the period between the Economic Date and Completion either (i) to third parties providing goods and/or services in respect of the North Beni Suef Concession, or (ii) as costs incurred under the North Beni Suef Concession (the “**North Beni Suef Invoicing Adjustment**”); and (c) the addition of certain other costs incurred by Pharos El Fayum in respect of the North Beni Suef Sale Interest in relation to the period between the Economic Date and Completion (the “**North Beni Suef Other Costs Adjustment**”);
- 3.5.2 any part of the North Beni Suef Carried Costs that has not been used within two years after Completion under the North Beni Suef FOA will be transferred to the El Fayum Carried Costs; and

- 3.5.3 Pharos El Fayum will remain entitled to the cost petroleum (or cost recovery petroleum) attributable to the North Beni Suef Carried Costs as if the North Beni Suef Carried Costs had been paid by Pharos El Fayum directly.

The North Beni Suef FOA contains a mechanism for independent determination of the North Beni Suef Non-Petroleum Receipts Adjustment, the North Beni Suef Invoicing Adjustment and the North Beni Suef Other Costs Adjustment in the absence of agreement between the parties of these amounts within specified timescales.

### 3.6 ***Economic Date and working capital adjustment***

The North Beni Suef FOA is structured such that, notwithstanding the date of the agreement and the date of Completion, the sale and transfer of the North Beni Suef Sale Interest by Pharos El Fayum to IPR Lake Qarun takes effect, or is treated as taking effect, from the Economic Date of 1 July 2020 as between the parties to the North Beni Suef FOA. As a consequence the North Beni Suef FOA provides for:

- 3.6.1 the apportionment of benefits and liabilities attributable or accruing to the North Beni Suef Sale Interest as at the Economic Date (subject to the treatment of environmental and decommissioning liabilities described in paragraph 3.8.3 below); and
- 3.6.2 an agreed working capital adjustment relating to the North Beni Suef Sale Interest of zero as at the Economic Date.

### 3.7 ***Conduct prior to Completion***

During the period between the date of the North Beni Suef FOA and Completion, Pharos El Fayum has agreed, subject to the terms of the North Beni Suef Concession, to certain interim period covenants set out in the North Beni Suef FOA, including, amongst others:

- 3.7.1 to keep IPR Lake Qarun fully informed in a timely manner of matters (not of a routine or minor nature) relating to the North Beni Suef Sale Interest;
- 3.7.2 to make available or allow IPR Lake Qarun access to all information, data and other material reasonably requested by it from time to time relating to the North Beni Suef Sale Interest including operations conducted in respect thereof;
- 3.7.3 not to incur costs in relation to the North Beni Suef Sale Interest in excess of US\$0.5 million subject to certain permitted exceptions, including the agreed interim period budget (with an overspend tolerance of 10%) appended as a schedule to the North Beni Suef FOA, other previously agreed costs and emergency expenditure for the safeguarding of lives or property or the prevention of pollution; and
- 3.7.4 other than as contemplated by the North Beni Suef FOA, not to enter into any contractual commitments chargeable to the North Beni Suef Sale Interest outside the ordinary course of business and past practice.

### 3.8 ***Warranties and indemnities***

Under the North Beni Suef FOA Pharos El Fayum has given, as at the date of the agreement, certain warranties to IPR Lake Qarun in relatively customary terms for a transaction of the type. Certain of those warranties relating to Pharos El Fayum's unencumbered title to the North Beni Suef Sale Interest will be repeated at Completion.

IPR Lake Qarun and IPR Energy AG have also given, as at the date of the North Beni Suef FOA, warranties to Pharos El Fayum in respect of certain fundamental matters, including corporate status, solvency, their authority capacity to enter into and perform the North Beni Suef FOA and other transactions contemplated by the North Beni Suef FOA and the enforceability of the North Beni Suef FOA.

The North Beni Suef FOA also contains certain indemnities in relatively customary form for a transaction of the type, including:

- 3.8.1 indemnities from each party in relation to compliance with anti-corruption and anti-bribery laws and regulation; and
- 3.8.2 indemnities from each party intended to effect the general allocation of obligations and benefits attributable or accruing to the North Beni Suef Sale Interest as at the Economic Date, save (a) in respect of the treatment of environmental and decommissioning liabilities as set out in paragraph 3.8.3 below, and (b) to the extent already taken into account in another adjustment provided for in the North Beni Suef FOA; and
- 3.8.3 an indemnity from IPR Lake Qarun to Pharos El Fayum in respect of environmental and decommissioning liabilities, whether arising before, on or after the Economic Date, attributable to the North Beni Suef Sale Interest, other than in relation to amounts paid by the Group in relation to work carried out prior to the Economic Date to discharge an environmental or decommissioning obligation or liability.

### 3.9 ***Limitations on liability for warranty claims***

Pharos El Fayum's liability under the warranties given by it under the North Beni Suef FOA is subject to certain customary limitations and exclusions and, in addition, the warranties are qualified by certain information and documents agreed as disclosed against the warranties. The limitations and exclusions on Pharos El Fayum's liability under the warranties include the following:

- 3.9.1 Pharos El Fayum has no liability for any warranty claim unless it has received from the claiming party written notice : (a) relating to title and certain other fundamental warranties within three (3) years of Completion; or (b) relating to any other warranties, within eighteen (18) months of Completion;
- 3.9.2 the total liability of Pharos El Fayum in respect of all warranty claims when taken together shall not exceed an amount equal to the total consideration payable by IPR Lake Qarun for the North Beni Suef Sale Interest; and
- 3.9.3 Pharos El Fayum has no liability under the warranties: unless and until (i) the amount of liability in respect of each individual claim, or a series of connected relevant claims against it, exceeds an amount equal to US\$65,000, and (ii) the aggregate amount of liability of Pharos El Fayum in respect of all claims exceeding the sum set out in (i) exceeds an amount equal to US\$0.65 million (in which event, the whole of such aggregate amount is recoverable and not simply the excess).

Similar limitations apply to the fundamental warranties given by IPR Lake Qarun and IPR Energy AG under the North Beni Suef FOA.

### 3.10 ***Guarantee by IPR Energy AG***

The obligations of IPR Lake Qarun under the North Beni Suef FOA, both financial and non-financial, are guaranteed by the immediate parent company of IPR Lake Qarun, IPR Energy AG. The guarantee is given by IPR Energy AG to Pharos El Fayum as a primary obligor and not only as a surety.

As IPR Energy is not the ultimate holding company of the IPR Energy Group, the North Beni Suef FOA also includes:

- 3.10.1 a warranty from IPR Lake Qarun and IPR Energy AG that no legal and/or beneficial interests in an IPR Group E&P Asset are held by a member of the IPR Energy Group that is not a wholly owned subsidiary of IPR Energy AG; and

3.10.2 an undertaking by IPR Lake Qarun and IPR Energy AG that, if at any time the legal and/or beneficial interest in an IPR Group E&P Asset is held by an IPR Group entity which is not a wholly owned subsidiary of IPR Energy AG, then they shall procure that a guarantee, in equivalent terms is granted by such entity in favour of Pharos El Fayum no later than the time such entity acquires such relevant interest or ceases to be a wholly owned subsidiary of the IPR Energy AG as the case may be.

### 3.11 ***Termination and unwinding procedure***

IPR Lake Qarun has the right to terminate the North Beni Suef FOA before Completion on notice to Pharos El Fayum in the event of breach of certain of the fundamental warranties given by Pharos El Fayum relating to its unencumbered title to the North Beni Suef Sale Interest. If such notice of termination is given after Pre-Completion but before Completion, the North Beni Suef FOA provides for the parties to inform EGPC and the Minister that they do not wish to proceed with the relevant assignment and request the return of the Assignment Bonus and the Replacement Guarantees and the return of the Deed of Assignment without it being executed by the Minister.

Each of Pharos El Fayum and IPR Lake Qarun also has the right to terminate the North Beni Suef FOA before Completion as a result of certain change of control events affecting the other party where such an event occurs before Pre-Completion.

In addition to the termination provisions described above, the North Beni Suef FOA contains a procedure for “unwinding” the transfer and assignment of the North Beni Suef Sale Interest in the event that the Deed of assignment for the North Beni Suef Sale Interest is signed by EGPC and the Minister but the Deed of Assignment for the El Fayum Sale Interest is not signed by EGPC and the Minister before the long stop date for Completion. This procedure is substantially similar to the procedure described in paragraph 1.14 above in the reverse situation.

### 3.12 ***Governing law***

The North Beni Suef FOA is governed by the law of England and Wales.

### 3.13 ***Dispute resolution***

In the event of a dispute arising out of or relating to the North Beni Suef FOA a party may, within ten (10) Business Days of notification of the dispute by or to that party, request that the parties seek settlement of that dispute by mediation in accordance with the LCIA Mediation Rules. Any dispute not referred to mediation, or which is referred to mediation but not settled within sixty (60) days of the notice of mediation being given, shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules.

## 4. **North Beni Suef JOA**

### 4.1 ***Introduction***

The North Beni Suef JOA is an agreed form document to be entered into between Pharos El Fayum and IPR Lake Qarun at Completion, intended to govern their relationship as parties comprising the Contractor Party under the North Beni Suef Concession. Under the El Fayum JOA, IPR Lake Qarun will assume operatorship of the North Beni Suef Concession, as between the parties comprising the Contractor Party.

As with the El Fayum JOA, the form of the North Beni Suef JOA is based on the AIPN Model Form Joint Operating Agreement, with certain modifications. The form of the North Beni Suef JOA is, save as set out in paragraph 4.2 below, in substantially the same terms as the form of the El Fayum JOA summarised above.

#### 4.2 ***Principal differences between the North Beni Suef JOA and the El Fayum JOA***

The principal differences between the form of the North Beni Suef JOA and the form of the El Fayum JOA, other than self-evident consequential changes, are as follows:

- 4.2.1 There is currently no operating company for the North Beni Suef Concession equivalent to Petrosilah in the El Fayum Concession. An operating company for the North Beni Suef Concession is required to be constituted only after the first commercial discovery on the acreage. The North Beni Suef JOA includes a number of changes to reflect this, including specific provision relating to the initial constitution and governance of the new operating company at the appropriate time.
- 4.2.2 Under the North Beni Suef Concession, an exploration advisory committee (the “**EAC**”) is established as a governance body between EGPC and the Contractor Party overseeing exploration operations until such time as the operating company may be formed. The EAC consists of six members, three of whom are to be appointed by EGPC and three of whom are to be appointed by the Contractor Party. The North Beni Suef JOA acknowledges the existence of the EAC and states that the designated operator will have the right to appoint two of the three Contractor Party members, with the remaining non-operator(s) having the right to appoint the remaining Contractor Party member.
- 4.2.3 As the North Beni Suef Concession currently relates to exploration acreage only (as opposed to the El Fayum Concession, which comprises both producing fields and exploration acreage and has an active operating company), the North Beni Suef JOA includes additional provisions for the preparation and submission by the operator of annual exploration and appraisal work programmes and budgets. Each annual exploration and appraisal work programme and budget submitted to the operating committee must include the proposed form of work programme and budget to be subsequently submitted to EGPC and the EAC (the “**EAC WPB**”) and, once this is approved by the operating committee, the operator is authorised to submit the EAC WPB to the EAC for consideration and approval for final submission to EGPC. Any revisions to an EAC WPB proposed by the EAC must first be approved by the operating committee.
- 4.2.4 As noted in paragraph 2.11 above, Operator G&A charged to the joint accounts under the El Fayum JOA and the North Beni Suef JOA shall be subject to a combined cap of US\$2 million per year to the end of 2022. This combined cap will be allocated between the joint accounts established under the El Fayum JOA and the North Beni Suef JOA on a fair and equitable basis approved by the El Fayum Operating Committee. From the start of 2023, the cap will cease to apply to the North Beni Suef JOA.

## PART IV

### FINANCIAL INFORMATION RELATING TO THE SALE INTERESTS

#### 1. NATURE OF FINANCIAL INFORMATION

The financial information table in this Part IV (*Financial Information Relating to the Sale Interests*) presented below relates to the financial information of the Sale Interests for the year ended 31 December 2018, the three months ended 1 April 2019, the nine months ended 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021.

The financial information relating to the periods under the Group's ownership has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the audited consolidated accounts of Pharos Energy plc for the years ended 31 December 2019 and 31 December 2020, and from the unaudited interim statements of Pharos for the six month period ended 30 June 2021. This financial information has been prepared under IFRS. The accounting policies used are consistent with the accounting policies adopted in Pharos's published consolidated financial statements for the years ended 31 December 2019, 31 December 2020, and the six months ended 30 June 2021.

Pharos acquired the El Fayum and North Beni Suef Sale Interests through its purchase of Pharos El Fayum (formerly Merlon Petroleum El Fayum Company) on 2 April 2019. Therefore the financial information relating to the period ended 31 December 2018 and from 1 January 2019 to 1 April 2019 has been extracted from the internal accounting records of Merlon Petroleum El Fayum Company before its acquisition by Pharos, as set out in its general ledger. The financial information for these periods was prepared under the prevailing accounting policies of Merlon Petroleum El Fayum Company and therefore may not be directly comparable to the financial information for the subsequent periods under Pharos Group ownership, which has been prepared in accordance with IFRS.

The financial information contained in this Part IV (*Financial Information Relating to the Sale Interests*) does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The consolidated statutory accounts of Pharos for the financial years ended 31 December 2019 and 31 December 2020 have been delivered to the Registrar of Companies.

The auditors' reports in respect of Pharos for the financial years ended 31 December 2019 and 31 December 2020 were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Deloitte LLP were the auditors for the Group, including Pharos El Fayum, in respect of the two years ended 31 December 2019 and 2020, and reviewed the unaudited interim statements of Pharos for the six month period ended 30 June 2021. Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV (*Financial Information Relating to the Sale Interests*).

Net Assets for the year/period ended:

	31 December 2020 Note 1 US\$m	30 June 2021 Note 1 US\$m
<b>Non-current assets</b>		
Intangible assets	–	2.0
Property, plant and equipment	105.1	107.8
	<u>105.1</u>	<u>109.8</u>
<b>Current assets</b>		
Inventories	12.4	12.1
Trade and other receivables	9.9	14.2
Cash and cash equivalents	–	–
	<u>22.3</u>	<u>26.3</u>
<b>Total assets</b>	<b><u>127.4</u></b>	<b><u>136.1</u></b>
<b>Current liabilities</b>		
Trade and other payables	(23.2)	(19.1)
Tax payables	(0.1)	(0.1)
	<u>(23.3)</u>	<u>(19.2)</u>
<b>Non-current liabilities</b>		
Long-term provisions	(5.4)	(5.4)
<b>Total liabilities</b>	<b><u>(28.7)</u></b>	<b><u>(24.6)</u></b>
<b>Net assets</b>	<b><u>98.7</u></b>	<b><u>111.5</u></b>

- (1) The financial information relating to the periods under Pharos Group ownership has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the audited consolidated accounts of Pharos Energy Plc for the years ended 31 December 2019 and 31 December 2020, and from the unaudited interim statements of Pharos for the six month period ended 30 June 2021.

Income statement for the:

	Year Ended 31 December 2018 Note 1, 3, 4 US\$m	1 January to 1 April 2019 Note 2, 3, 4 US\$m	2 April to 31 December 2019 Note 4, 5 US\$m	Year Ended 31 December 2020 Note 4, 6 US\$m	Six month period ended 30 June 2021 Note 4 US\$m
Revenue	66.7	12.0	34.4	30.5	16.6
Cost of sales	(15.1)	(4.4)	(28.0)	(36.2)	(12.8)
<b>Gross profit/(loss)</b>	<b>51.6</b>	<b>7.6</b>	<b>6.4</b>	<b>(5.7)</b>	<b>3.8</b>
Administrative expense	(6.2)	(1.5)	(0.3)	(0.5)	(0.1)
Exploration expense	(0.2)	–	–	–	–
Impairment charge – Intangible	–	–	–	(2.7)	–
Impairment reversal/(charge) – PPE	–	–	–	(108.1)	3.7
<b>Operating profit/(loss)</b>	<b>45.2</b>	<b>6.1</b>	<b>6.1</b>	<b>(117.0)</b>	<b>7.4</b>
Other/exceptional (expense)/gain	(0.6)	0.2	(13.2)	(4.9)	–
<b>Profit/(loss) before tax</b>	<b>44.6</b>	<b>6.3</b>	<b>(7.1)</b>	<b>(121.9)</b>	<b>7.4</b>
Tax	–	–	–	–	–
<b>Profit/(loss) for the year</b>	<b><u>44.6</u></b>	<b><u>6.3</u></b>	<b><u>(7.1)</u></b>	<b><u>(121.9)</u></b>	<b><u>7.4</u></b>

- (1) The financial information for the period from 1 January 2018 to 31 December 2018 has been extracted without material adjustment from the Merlon Petroleum El Fayum Company general ledger.
- (2) The financial information for the period from 1 January 2019 to 1 April 2019 has been extracted without material adjustment from the Merlon Petroleum El Fayum Company general ledger.
- (3) For the year ended 31 December 2018 and for the period from 1 January 2019 to 1 April 2019 Cost of sales did not include depreciation on Property, plant and equipment under the prevailing accounting policies of Merlon Petroleum El Fayum Company.
- (4) For the year ended 31 December 2018 and for the period from 1 January 2019 to 1 April 2019 Administrative expenses were prepared under the accounting policies of Merlon Petroleum El Fayum Company, under this preparation Administrative

expenses were not allocated between Cost of Sales and Property, plant and equipment and Intangible assets. For the period 2 April to 31 December 2019, year ended 31 December 2020 and six month period ended 30 June 2021, the Administrative expenses were allocated under Pharos policy where General and Administrative expenses are split between Costs of Sales and Property, plant and equipment and Intangible assets.

- (5) For the period from 2 April 2019 to 31 December 2019, an assignment fee of US\$13.6m for the acquisition of El Fayum, payable to EGPC, was later settled through a non-cash offset against receivables due from EGPC.
- (6) For the year ended 31 December 2020, US\$4.9m relates to the Stratton royalty provision from the period up to the acquisition date, the balance arising since acquisition recorded within cost of sales (US\$0.5m). The royalty provision relates to a historical arrangement granting a 3% royalty on Pharos's share of profit oil and excess cost recovery from El Fayum in Egypt. At both the date of acquisition of the Egypt assets (April 2019) and 31 December 2019 the risk of a material outflow in relation to this arrangement was, based on legal advice, considered remote and therefore no provision was recorded. As a result of additional legal advice obtained during 2020, it is now considered probable that amounts are due under this arrangement and accordingly a provision of US\$5.4m has been recognised, which is anticipated to be settled in 1 to 3 years.

## PART V

### UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP

#### Section 1: Basis of financial information

Set out below is the consolidated pro forma statement of net assets of the Retained Group as at 30 June 2021 and the income statement of the Retained Group for the six months to 30 June 2021 (the “pro forma financial information”). The pro forma financial information is unaudited.

The unaudited consolidated pro forma statements of the Retained Group have been prepared to illustrate the effect of the Transaction on the consolidated net assets of the Group as at 30 June 2021 and the income statement of the Group for the six months to 30 June 2021, as if the Transaction had completed on that date.

The pro forma financial information has been prepared on the basis set out in the notes below and is based on the unaudited interim statements of the Group for the six months ended 30 June 2021 and, in respect of the Sale Interests, has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the unaudited consolidated financial information of the Group for the six months ended 30 June 2021.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Retained Group’s actual financial position or results.

Shareholders should read the whole of this document, including the risk factors in Part II (*Risk Factors*), and not rely solely on the summarised financial information in this Part V (*Unaudited Pro Forma Financial Information of the Retained Group*). In particular, there can be no assurance that any element of contingent consideration will become payable following Completion of the Transaction nor that the deferred consideration will be fully realised —see the paragraphs entitled “Material risks relating to the Group which result from the Transaction” in Part II (*Risk Factors*) of this Circular.

Furthermore, the unaudited pro forma financial information set out in this Part V (*Unaudited Pro Forma Financial Information of the Retained Group*) does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Deloitte’s report on the unaudited pro forma financial information is set out in Section 2 of this Part V (*Unaudited Pro Forma Financial Information of the Retained Group*).

			Adjustments			
	Group net assets as at 30 June 2021	Disposal of 100% of El Fayum & NBS as at 30 June 2021	Reinstated 45% of El Fayum & NBS	Consideration adjustments	Transaction costs	Pro Forma
	Note 1 US\$m	Note 2 US\$m	Note 3 US\$m	Note 4,5,6 US\$m	Note 7,8 US\$m	US\$m
<b>Non-current assets</b>						
Intangible assets	4.6	(2.0)	0.9	–	–	3.5
Property, plant and equipment	440.3	(107.8)	48.5	–	–	381.0
Other receivables	47.1	–	–	20.1	–	67.2
<b>Total non-current assets</b>	<b>482.0</b>	<b>(109.8)</b>	<b>49.4</b>	<b>20.1</b>	<b>–</b>	<b>451.7</b>
<b>Current assets</b>						
Inventories	19.2	(12.1)	5.4	–	–	12.5
Trade and other receivables	29.5	(14.2)	6.4	13.4	1.0	35.1
Tax receivables	0.4	–	–	–	–	0.4
Cash and cash equivalents	28.4	–	–	5.0	–	33.4
<b>Total current assets</b>	<b>77.5</b>	<b>(26.3)</b>	<b>11.8</b>	<b>18.4</b>	<b>1.0</b>	<b>82.4</b>
<b>Total assets</b>	<b>569.5</b>	<b>(136.1)</b>	<b>61.2</b>	<b>38.5</b>	<b>1.0</b>	<b>535.1</b>

	Adjustments					
	Group net assets as at 30 June 2021	Disposal of 100% of El Fayum & NBS as at 30 June 2021	Reinstated 45% of El Fayum & NBS	Consideration adjustments	Transaction costs	Pro Forma
	Note 1 US\$m	Note 2 US\$m	Note 3 US\$m	Note 4,5,6 US\$m	Note 7,8 US\$m	US\$m
<b>Current liabilities</b>						
Trade and other payables	(25.6)	19.1	(8.6)	–	(4.3)	(19.4)
Derivative financial instruments	(14.9)	–	–	–	–	(14.9)
Loans and borrowings	(13.7)	–	–	–	–	(13.7)
Tax payables	(4.2)	0.1	–	–	–	(4.1)
<b>Total current liabilities</b>	<b>(58.4)</b>	<b>19.2</b>	<b>(8.6)</b>	<b>–</b>	<b>(4.3)</b>	<b>(52.1)</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	(89.9)	–	–	–	–	(89.9)
Loans and borrowings	(45.0)	–	–	–	–	(45.0)
Long term provisions	(70.1)	5.4	(2.4)	–	–	(67.1)
<b>Total non-current liabilities</b>	<b>(205.0)</b>	<b>5.4</b>	<b>(2.4)</b>	<b>–</b>	<b>–</b>	<b>(202.0)</b>
<b>Total liabilities</b>	<b>(263.4)</b>	<b>24.6</b>	<b>(11.0)</b>	<b>–</b>	<b>(4.3)</b>	<b>(254.1)</b>
<b>Net assets</b>	<b>306.1</b>	<b>(111.5)</b>	<b>50.2</b>	<b>38.5</b>	<b>(3.3)</b>	<b>280.0</b>

- (1) The net assets of Pharos Energy plc as at 30 June 2021 have been extracted without material adjustment from the unaudited balance sheet from the interim statements of Pharos as at 30 June 2021.
- (2) This adjustment fully removes the assets and liabilities of the El Fayum and North Beni Suef Concessions as at 30 June 2021. The figures have been extracted without material adjustment from the consolidation schedules that underlie the consolidated financial statements of Pharos at that date.
- (3) This adjustment reflects the 45% holding in the El Fayum and North Beni Suef Concessions that will remain owned by the Group.
- (4) The consideration consists of US\$5 million cash at completion of the Transaction. Of this US\$5 million, US\$3 million is the upfront consideration for the 55% interest in the El Fayum Concession and US\$2m upfront for the North Beni Suef concession. US\$2m of this upfront cash consideration has already been received in the form of a deposit.
- (5) The consideration also has element of deferred consideration through the funding, or carry, of the Pharos Group's retained interest share of the cost of future activities of the El Fayum and North Beni Suef Concessions. On the basis that the Third Concession Amendment is ratified by the Egyptian parliament and approved by the Egyptian president on the El Fayum concession of US\$36 million and on the North Beni Suef concession of US\$6 million. This deferred consideration is subject to deductions of an agreed amount of US\$3.025 million to reflect possible future decommissioning liabilities and US\$4.917 million Working Capital Adjustment at the Economic Date and US\$0.55m for the Third Concession Amendment signature bonus. From this total deferred consideration of US\$33.5 million, US\$13.4 million is classified as a current receivable, with the remaining US\$20.1 million (undiscounted) balance being non-current. The deferred consideration is also subject to certain financial adjustments under the Farm-Out Agreements (which are customary under farm-out agreements). No adjustment has been made in the pro forma financial information to reflect these customary financial adjustments as any such adjustment will not be determined until Completion. Should the Third Concession Amendment ratification be delayed the impact on the deferred consideration is as detailed in paragraph 1.8 of Part III (Principal Terms of the Transaction) of this Circular.
- (6) The valuation of the contingent consideration of up to US\$20 million is dependent on Brent oil prices in each of the 4 calendar years from 2022 to 2025 and a US\$nil value has been assumed for the purposes of this unaudited consolidated pro forma statement of net assets given this uncertainty. See the paragraphs entitled "Material risks relating to the Group which result from the Transaction" in Part II (Risk Factors) of this Circular.
- (7) Concession assignment bonuses will be payable to EGPC from Pharos. Following completion IPR will reimburse the assignment bonuses at the same time as payment of the base consideration. Should the assignment bonuses exceed US\$1 million then bonus excess will be deducted from the carried costs. It is anticipated that the El Fayum assignment bonus will be equal to 10% of the cash paid for the Base Consideration on completion (US\$0.3 million) and 10% of the Brent Price Contingent Consideration payable each year from 2022 through to 2025. In line with note 6 above, it is assumed there will be no Brent Price Contingent Consideration received. The North Beni Suef Assignment Bonus is fixed at US\$0.660 million. As the combined total of assignment bonuses is assumed to be US\$0.960 million, reimbursable by IPR on Completion (and therefore included within other receivables and other payables in the proforma) with no further reduction of the Carried costs.
- (8) A further adjustment of US\$3.3 million has been made to "trade and other payables" to reflect the advisory fees payable by Pharos in connection with the Transaction.

	Group as at 30 June 2021	Disposal of 100% of El Fayum & NBS as at 30 June 2021	Reinstated 45% of El Fayum & NBS	Disposal adjustments	Transaction costs	Pro Forma
	Note 1 US\$m	Note 2 US\$m	Note 3 US\$m	Note 4 US\$m	Note 5 US\$m	US\$m
Revenue	59.2	(16.6)	7.5	–	–	50.1
Cost of sales	(51.5)	12.8	(5.8)	–	–	(44.5)
<b>Gross profit/(loss)</b>	<b>7.7</b>	<b>(3.8)</b>	<b>1.7</b>	<b>–</b>	<b>–</b>	<b>5.6</b>
Administrative expense	(5.5)	0.1	–	–	–	(5.4)
Impairment reversal/(charge) – PPE	27.8	(3.7)	1.7	–	–	25.8
<b>Operating profit/(loss)</b>	<b>30.0</b>	<b>(7.4)</b>	<b>3.4</b>	<b>–</b>	<b>–</b>	<b>26.0</b>
Other/exceptional (expense)/gain	(0.4)	–	–	–	(3.3)	(3.7)
Loss on disposal	–	–	–	(22.8)	–	(22.8)
Finance costs	(2.9)	–	–	–	–	(2.9)
<b>Profit/(loss) before tax</b>	<b>26.7</b>	<b>(7.4)</b>	<b>3.4</b>	<b>(22.8)</b>	<b>(3.3)</b>	<b>(3.4)</b>
Tax	(20.3)	–	–	–	–	(20.3)
<b>Profit/(loss) for the year</b>	<b>6.4</b>	<b>7.4</b>	<b>3.4</b>	<b>(22.8)</b>	<b>(3.3)</b>	<b>(23.7)</b>

- (1) The Income Statement of Pharos Energy plc as at 30 June 2021 has been extracted without material adjustment from the unaudited interim statements of Pharos for the six month period ended 30 June 2021.
- (2) This adjustment fully removes the impact of the interest in the El Fayum and North Beni Suef Concessions from the Income Statement for the six months to 30 June 2021. The figures have been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the consolidated financial statements of Pharos at that date.
- (3) This adjustment reinstates the impact on the Group's Income Statement for the six months to 30 June 2021, of the 45% holding in the El Fayum and North Beni Suef Concessions that will remain owned by the Group.
- (4) Given the uncertainty around the valuation of the Brent Price Contingent Consideration, this adjustment reflects the loss on disposal of the Sale Interests assuming that there is no Brent Price Contingent Consideration received. This loss on disposal will be reduced by up to US\$20 million should any Brent Price Contingent Consideration be received.
- (5) This adjustment reflects the advisory fees payable by Pharos in connection with the Transaction.

## Section 2: Report on the Unaudited Pro Forma Information on the Group



**Deloitte LLP**  
**1 New Street Square**  
**London**  
**EC4A 3HQ**

The Board of Directors  
on behalf of Pharos Energy plc  
Eastcastle House  
27/28 Eastcastle Street  
London  
W1W 8DH

Jefferies International Ltd  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3BJ

25 November 2021

Dear Sirs/Mesdames,

### **Pharos Energy plc (the “Company”)**

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part V of the class 1 circular dated 25 November 2021 (the “Investment Circular”). This report is required by Annex 20, section 3 of the UK version of the Commission delegated regulation (EU) 2019/980 (the “Prospectus Delegated Regulation”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that regulation and for no other purpose.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Responsibilities**

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

### **Basis of preparation**

The pro forma financial information has been prepared on the basis described in section 1, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the six-months ended 30 June 2021.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Pharos Energy plc in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Yours faithfully

Deloitte LLP

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## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names are set out in paragraph 5 of this Part VI, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Details of the Company and Pharos El Fayum

Pharos was incorporated and registered in England and Wales on 10 January 1997 under the Companies Act 1985 as a public company limited by shares with registered number 03300821 and with the name Sigtimed Public Limited Company. The Company changed its registered name to SOCO International plc on 13 March 1997 and then to its current registered name of Pharos Energy plc on 16 October 2019.

The registered and head office of Pharos is at 27/28 Eastcastle Street, London W1W 8DH. The telephone number of the Pharos registered and head office is +44 (0) 20 747 2000.

The principal legislation under which the Company was formed and under which the Company operates is the Companies Act 1985 and the Companies Act 2006 respectively. The Company is domiciled in the United Kingdom. The Company is the ultimate holding company of the Group, and its principal activity is the extraction of crude petroleum.

Pharos El Fayum is an exempted company with limited liability organised and existing under the laws of the Cayman Islands (registration number 78257). It is a wholly owned subsidiary of the Company. The registered office of Pharos El Fayum is c/o Trident Trust Company (Cayman) Limited, P.O. Box 847, Fourth Floor, One Capital Place, Shedden Road, George Town, Grand Pavilion, 802 West Bay Road, Grand Cayman KY1-11043, Cayman Islands. Immediately before its acquisition by the Group on 2 April 2019, its registered name was Merlon Petroleum El Fayum Company, which was changed to Pharos El Fayum on 2 April 2019. Pharos El Fayum has established a branch in Egypt under the provisions of the Egyptian Companies Law No. 159 of 1981 and its Executive Regulations.

#### 3. Treasury Shares

As at the Latest Practicable Date, 9,122,268 Pharos Shares were held in treasury, representing approximately 2.02 per cent. of the issued share capital (including such treasury shares) of Pharos.

#### 4. Trend information

- 4.1 On 15 September 2021 the Company announced the 2021 Interim Results, which contained, *inter alia*, the following statements:

##### ***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 (1H 2020: 6,114 boepd). This is in line with the Vietnam 2021 production guidance of 5,200-6,200 boepd.

TGT 1H 2021 production averaged 13,401 boepd gross and 3,976 boepd net to Pharos (1H 2020: 14,878 boepd gross and 4,431 boepd net). CNV 1H 2021 production averaged 5,813 boepd gross and 1,453 boepd net to Pharos (1H 2020: 6,731 boepd gross and 1,683 boepd net).

### *Vietnam Development and Operations*

#### **Block 16-1 – TGT Field**

The producing TGT Field is located in 47m of water depth in the Cuu Long Basin offshore southern Vietnam.

In July 2021, the TGT-H4-34P well, the first of four infill development wells, was spudded from the H4 wellhead platform at the southern end of the TGT field using the jack-up drilling rig PVDII. Planned Total Depth (“TD”) was reached in early August, the well was completed and brought into production on 23 August through the existing TGT processing facilities. The 34P well initial flow rate of approximately 1,600 bopd was in line with expectations, further behind pipe potential will be accessed in a second phase of perforations.

The drilling rig is now currently operating at the H5 platform on the second well in the sequence, TGT-H5-12XPST which spudded on 24 August 2021 and reached TD on 7 September 2021.

The initial four-well programme will be expected to be finished in 4Q this year with an additional two wells to be drilled in 2022 pending budgetary approval later this year.

The full infill programme is expected to increase gross TGT production by 5-6,000 boepd to around 20,000 boepd.

The capital spend for the initial four-well programme is c.US\$13m net to Pharos.

#### **Block 9-2 – CNV Field**

On Block 9-2 – CNV Field, routine well intervention work, comprising of acidising plugged perforations in two existing producing wells, was performed as planned. The gross production gain was approximately 150 bopd.

### *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 km<sup>2</sup> 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 cash capital spend for the acquisition of the 3D survey was US\$8.5m. The seismic processing contract has been awarded and the final seismic processed results are expected in 1H 2022.

On 8 September 2021, Pharos received approval for a 2-year extension to the terms of Phase 1 of Block 125 & 126 Exploration Period from the Ministry of Industry and Trade.

#### *Vietnam operational focus for remainder of 2021*

- Full year 2021 production guidance range narrowed from 5,200 – 6,200 boepd to 5,500 – 6,000 boepd net
- Continuation of the Infill Development Well Programme in the TGT Field. The initial four-well programme is expected to extend until the end of this year, and the timing of the drilling of the final two additional wells in 2022 awaits budgetary approval later this year
- Proactive management of the existing producing TGT reservoirs continues through an active well intervention programme
- Submission of the revised CNV Revised Full Field Development Plan at the end of 2021; subject to partners’ approval
- The final processed 3D seismic results over Block 125 are expected in 1H 2022

## **Egypt**

### *El Fayum Production, Operations and Development*

Production for the first half of 2021 from the El Fayum Concession averaged 3,718 bopd (1H 2020: 5,979 bopd). Production levels were impacted by well maintenance issues in the first half and the inability of the one workover rig to cover both the Phase 1B waterflood programme and remedial activity. Plans in place to accelerate production enhancement in the second half of the year include the arrival of a second workover rig in August and the recommencement of drilling in 4Q 2021 with a first drilling rig to be operational since March 2020.

The reduced levels of activity 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 supported the well intervention work on producing wells requiring maintenance (predominantly ESP and sucker rod pump replacements) until the second workover rig arrived on site in mid-August. Both the waterflood and the well intervention work are now back on track. The first drilling rig is expected to arrive in October and will be operational in 4Q 2021.

During this interim period, production is via primary depletion until the initial 57 well development programme and Phase 2 waterflood programme commences in 2022.

The main drive mechanism of primary depletion combined with various operational delays has meant that guidance for Egypt for the year has now been revised down to 3,200 – 3,500 bopd.

### *El Fayum Exploration*

The Batran-1X commitment exploration well, drilled on a fault bounded and three-way-closed dip prospect located 4km west of the Main Tersa-1X well, reached Total Depth on 4 June 2021. The well encountered 52 ft (15.85m) of net oil pay in the LARG and UB sands. Additional thin pay zones may also be present in the Abu Roash “A”, “D” and “E” sands where oil shows were also encountered whilst drilling. Pressure readings confirm that the oil-bearing reservoirs are at initial pressure.

The Batran-1X well will be tested as a potential future producer in the LARG and UB reservoir sections using a workover rig in 4Q 2021.

The preliminary post-well in-place volume and resource estimates for the LARG and UB discoveries are 4.3 mmbbls and 430,000 bbls respectively.

All other exploration drilling activity is on hold.

### *North Beni Suef (NBS)*

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

### *Egypt Farm-out*

As announced separately by the Company this morning (the “Farm-Out Announcement”), 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. Further details of the farm-out, including the background to and reasons for the transaction and the key terms of the transaction documents, are set out in the Farm-Out Announcement. The farm-out is a Class 1 transaction under the Listing Rules and is conditional, amongst other things, on shareholder approval. Pharos will publish a circular to shareholders in due course, setting out further details of the farm-out and convening the general meeting at which shareholder approval will be sought.

### *Egypt commercial update*

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 Parliament is likely to be in 2H 2021.

The improved fiscal terms are expected to be backdated to November 2020 and will increase the contractor share of revenue by around 20% and lower the break-even while in full cost recovery mode.

#### *Egypt operational focus for remainder of 2021*

- 2021 production guidance of 4,000-4,400 bopd net will now not be met because of the decline rates due to primary depletion and various operational delays and is now revised to 3,200 – 3,500 bopd
- Plans in place to accelerate production enhancement in the second half of the year include the arrival of a second workover rig in August and the recommencement of drilling in 4Q 2021 with an interim 3-well programme
- The investment funds required to develop the fields in a 57 or 90 well producer and injector programme are expected to become available following successful completion of the farm-out. This will have the effect of increasing the rig count and allow the commencement of the main Phase 2 of the waterflood programme which will lead to a steady increase in production
- Testing of the recently drilled Batran-1X exploration discovery well in 4Q 2021
- Parliamentary approval on the Third Amendment to the El Fayum Concession Agreement awaited. The Amendment is expected to be backdated to November 2020 and will increase contractor revenue take by c.20%

#### ***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. Seismic processing in order to mature prospectivity ahead of a drilling decision in 3Q 2022 concluded in 3Q 2021.

## **4.2 Events since publication of 2021 Interim Results**

Since the publication of the 2021 Interim Results and the announcement of the Transaction on 15 September 2021, the following material developments have occurred on or in relation to the Group's business:

#### *Cabinet approval of the Third Concession Amendment (El Fayum Concession)*

On 1 November 2021 the Company announced that the Cabinet of Egypt had approved amendments to the fiscal terms of five petroleum concession agreements, including the Third Concession Amendment relating to the El Fayum Concession, at a meeting held on 28 October 2021. The announcement by the Company followed an announcement to that effect by the Prime Minister of Egypt. The Third Concession Amendment subject to ratification by the Egyptian Parliament and approval by the Egyptian President.

#### *TGT infill development drilling and operational update (Block 16-1, Vietnam)*

On 11 November 2021, the Company announced that the first phase of the TGT infill development drilling programme on Block 16-1, Vietnam had been completed on 10 November 2021, with the PVDII drilling rig 'waiting on weather' to move from the H1 platform and be released off contract. The announcement stated that all four infill development wells within this phase had been drilled within schedule and at around a 35% saving on the original budget, with the initial and current gross production rates for the first three of the development wells being:

<i>Well</i>	<i>Initial rate</i>	<i>Current rate</i>
H4-34P*	~1,590 bopd	760 bopd
12XPST	~1,910 bopd	1,770 bopd
H1-33P	~2,880 bopd	2,540 bopd

The announcement further stated that the final well in the sequence, TGT-4PST1, would be perforated shortly and then also brought on production, with two additional infill development wells, pending budgetary approval in the forthcoming Block 16-1 Management Committee meetings, planned to be drilled in a second phase in Q3 2022.

On 18 November 2021 the Company provided a further operational update on TGT, including the following information:

- the fourth and final well in the first phase of the TGT infill development drilling programme flowed at an initial rate of 2,200 bopd;
- 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 first phase of the infill development drilling programme had been completed at around US\$20 million below the JV gross budget;
- well interventions and a gas lift optimisation programme on TGT earlier in the year resulted in an initial TGT production gain of 3,200 bopd;
- the TGT field gross production rate on 17 November 2021 was 14,800 boepd, constrained by a fault in the GTC-A compressor, one of the two compressors on the FPSO handling production from TGT;
- the faulty compressor was stopped on 15 November 2021 to prevent any potential damage due to excessive temperature and vibration, and the fault was currently under investigation and this investigation would require the compressor to be airfreighted to the manufacturer in the US; and
- the Company estimated that gross production of around 5,000 boepd from TGT was temporarily shut-in while the compressor fault was investigated.

The operational update also stated that on 17 November 2021 the Block 16-1 Management Committee had approved the two additional TGT infill development wells referenced in the Company's 11 November 2021 announcement, together with 13 well interventions (ten firm additional perforations and three water shut-offs), in the budget for 2022.

*Resumption of El Fayum Development Drilling and testing of Batran-1X exploration well*

On 22 November 2021 the Company announced that drilling operations on the El Fayum Concession had recommenced with an interim three-well back-to-back development programme, expected to be completed in February 2022. The announcement further explained that the first well in the programme would target the oil-bearing sandstone of the Abu Roash 'G' and Upper Bahariya Formations, in a structurally optimal position within the North Silah Deep field. The announcement also indicated that Petrosilah, on behalf of the JV, was currently tendering for two drilling rigs to continue the drilling campaign and for a H1 2022 commencement.

The same announcement on 22 November 2021 stated that the exploration well Batran-1X, drilled in May 2021 inside the Tersa Development Lease was being tested by a workover rig, with the Upper Bahariya UB-1 zone testing oil at rates between 25 and 90 bopd during partial clean-up. The well is now in the process of being completed for a longer-term production test.

## 5. Directors and senior management

The full names and principal functions of the Directors and the Company's senior management are as follows:

<i>Directors</i>	<i>Position</i>
John Edward Martin	Non-Executive Chair
Robert Gresham Gray	Deputy Chair, Non-Executive and Senior Independent Director
Marianne Daryabegui	Non-Executive Director
Lisa Mitchell	Non-Executive Director
Geoffrey Stephen Green	Non-Executive Director
Edward T Story, Jr.	Chief Executive Officer
Susan Jane Rivett	Chief Financial Officer
Janice Margaret Brown	Managing Director
Dr Michael John Watts	Managing Director

## 6. Directors' and other PDMRs' interests in shares

- 6.1 Save as set out below, none of the Directors or other persons discharging managerial responsibilities ("PDMRs") has any interest in the share capital of the Company or any of its subsidiary undertakings.
- 6.2 The interests (all of which are beneficial) of the Directors, of their respective immediate families and (so far as is known or could with reasonable diligence be ascertained by the relevant Director) of any person connected with a Director in the share capital of the Company as at the Latest Practicable Date are as follows:

<i>Director</i>	<i>Number of Shares</i>	<i>Percentage of issued ordinary share capital*</i>
John Martin	130,000	0.029
Rob Gray	—	—
Marianne Daryabegui	36,757	0.008
Lisa Mitchell <sup>(3)</sup>	51,958	0.012
Geoffrey Green	95,000	0.021
Ed Story <sup>(4)</sup>	16,087,407	3.635
Sue Rivett	1,775	0.000
Jann Brown	716,612	0.162
Mike Watts	851,533	0.192

\* (rounded to the nearest third decimal place; excluding treasury shares).

### Notes:

- (1) The table set out above assumes no dealings by the Directors or their connected persons and that no further Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after the Latest Practicable Date.
- (2) The interests of the Directors in Shares together represent 4.06 per cent. (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company (excluding treasury shares) as at the Latest Practicable Date.
- (3) These shares are held by Alexander Barblett (husband of Lisa Mitchell), and a closely associated person to Lisa Mitchell.
- (4) Ed Story holds 16,087,407 Pharos Shares, representing 3.635 per cent. of the total voting rights of the Company, of which 14,412,407 (3.257 per cent.) Pharos Shares are held personally by Ed Story and 1,675,000 (0.378 per cent.) Pharos Shares are held through The Story Family Trust, a closely associated person of Ed Story.

6.3 As at the Latest Practicable Date, the Directors held the following awards under the Employee Share Plans:

<i>Director</i>	<i>Employee Share Plan</i>	<i>Number of Pharos Shares under option/award<sup>(1)</sup></i>	<i>Exercise price (if any)</i>	<i>Vesting date</i>
Ed Story	LTIP	1,550,855	nil	06/10/2024
	LTIP	1,550,855	nil	12/05/2023
	LTIP	2,143,180	nil	07/03/2022
	2014 DSBP	317,971	nil	09/01/2022
Sue Rivett	LTIP	909,317	nil	06/10/2024
	LTIP	267,779	nil	12/05/2023
	LTIP	496,229	nil	07/03/2022
	2009 DSOP	25,000	£1.20	31/05/2019
	2009 DSOP	65,000	£1.20	31/05/2019
Jann Brown	LTIP	1,550,855	nil	06/10/2024
	LTIP	1,550,855	nil	12/05/2023
	LTIP	1,417,797	nil	07/03/2022
	2014 DSBP	202,702	nil	09/01/2022
	2014 DSBP	235,469	nil	03/01/2021
Dr Mike Watts	LTIP	1,550,855	nil	06/10/2024
	LTIP	1,550,855	nil	12/05/2023
	LTIP	1,417,797	nil	07/03/2022
	2014 DSBP	202,702	nil	09/01/2022
	2014 DSBP	235,469	nil	03/01/2021

**Note:**

(1) Outstanding awards were adjusted for dividends in accordance with rules of the relevant Employee Share Plan(s).

6.4 As at the Latest Practicable Date the aggregate number of Shares in respect of which options or other rights to subscribe had been granted by the Company was 21,989,363 (representing approximately 4.969% of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

## 7. Directors' service contracts

### 7.1 *Executive directors' service agreements*

#### *Ed Story*

Ed Story entered into a service agreement with the Company on 14 May 1997. He currently receives an annual salary of US\$351,000 following his voluntary agreement to reduce his base salary:

- from US\$702,000 to US\$526,500 with effect from 1 May 2020;
- from US\$526,500 to US\$456,300 with effect from 1 August 2020; and
- from US\$456,300 to US\$351,000 with effect from 1 April 2021.

Ed also serves on the Nominations Committee. Ed Story's service agreement can be terminated on 12 months' written notice by either party, and can be terminated with immediate effect if, amongst others, he is paid in lieu of his notice or he commits a serious breach of his obligations under his service agreement, is guilty of an act of dishonesty or serious misconduct or repeatedly or continually commits a material breach of his obligations under his service agreement. The service agreement contains provisions restricting Ed Story's use of confidential information during and after the termination of his employment with the Company and provisions which prevent him from competing with the business for three months, from soliciting employees for six months and from soliciting suppliers for 12 months after the termination of his employment.

Ed Story is eligible to receive a discretionary annual bonus capped at 150 per cent. of base salary. Under the Company's remuneration policy, one third of any annual bonus will be deferred

into awards of Pharos Shares under the 2014 DSBP, with a minimum two year vesting period. Ed Story participates in the LTIP.

Ed Story is entitled to the following benefits: 30 days' holiday (in addition to applicable bank/public holidays), private medical insurance, permanent health insurance, life assurance cover, critical illness cover, travel benefits, expatriate benefits and car benefits. Ed Story's service agreement also provides for directors' and officers' liability insurance cover, and pension benefits are delivered through contributions to the Company's money purchase plan up to relevant plan limits and/or a cash supplement, with the maximum benefit payable capped at 20 per cent. of base salary per annum.

#### *Sue Rivett*

Sue Rivett entered into her current service agreement with the Company on 21 September 2021. The effective date of her current service agreement was 1 July 2021, the date of her appointment as a Director. Her current base annual salary is £260,000.

Sue Rivett's service agreement can be terminated on 12 months' written notice by either party, and can be terminated with immediate effect if, amongst others, she is paid in lieu of her notice or she is guilty of any gross misconduct or serious negligence in connection with the affairs of the Company or is convicted of an arrestable criminal offence (other than one under road traffic legislation). The service agreement contains provisions restricting Sue Rivett's use of confidential information during and after the termination of her employment with the Company and provisions which prevent her from competing with the business, soliciting employees, or soliciting partners, suppliers or public officials for six months after the termination of her employment (less any time spent on garden leave).

With effect from 1 July 2021, Sue Rivett is eligible to receive a discretionary annual bonus capped at 150 per cent. of base salary. Under the Company's remuneration policy, one third of any such annual bonus will be deferred into awards of Pharos Shares under the 2014 DSBP, with a minimum two-year vesting period. Sue Rivett participates in the LTIP.

Sue Rivett is entitled to the following benefits: 33 days' holiday; medical expenses; life insurance/death in service; and permanent health insurance. Sue Rivett's service agreement also provides for pension benefits by way of a contribution of a sum equal to 15 per cent. of her monthly salary.

#### *Dr Mike Watts*

Dr Mike Watts entered into his current service agreement with the Company on 6 December 2017. He currently receives an annual salary of £267,500 following his voluntary agreement to reduce his base salary:

- from £535,000 to £401,250 with effect from 1 May 2020;
- from £401,250 to £347,750 with effect from 1 August 2020; and
- from £347,500 to £267,500 with effect from 1 April 2021.

Dr Mike Watts' service agreement can be terminated on 12 months' written notice by either party, and can be terminated with immediate effect if, amongst others, he is paid in lieu of his notice or he is guilty of any gross misconduct or serious negligence in connection with the affairs of the Company or is convicted of an arrestable criminal offence (other than one under road traffic legislation). The service agreement contains provisions restricting Dr Mike Watts' use of confidential information during and after the termination of his employment with the Company and provisions which prevent him from competing with the business, soliciting employees, or soliciting partners, suppliers or public officials for six months after the termination of his employment (less any time spent on garden leave).

Dr Mike Watts is eligible to receive a discretionary annual bonus capped at 150 per cent. of base salary. Under the Company's remuneration policy, one third of any annual bonus will be deferred into awards of Pharos Shares under the 2014 DSBP, with a minimum two-year vesting period. Dr Mike Watts participates in the LTIP.

Dr Mike Watts is entitled to the following benefits: 33 days' holiday; medical expenses; life insurance/death in service; permanent health insurance and a car allowance of £750 per month.

Dr Mike Watts' service agreement also provides for pension benefits by way of a contribution of a sum equal to 15 per cent. of his monthly salary.

#### *Jann Brown*

Jann Brown entered into her current service agreement with the Company on 6 December 2017. She currently receives an annual salary of £267,500 following her voluntary agreement to reduce her base salary:

- from £535,000 to £401,250 with effect from 1 May 2020;
- from £401,250 to £347,500 with effect from 1 August 2020; and
- from £347,500 to £267,500 with effect from 1 April 2021.

Jann Brown's service agreement can be terminated on 12 months' written notice by either party, and can be terminated with immediate effect if, amongst others, she is paid in lieu of her notice or, the Company gives notice of its intention to make a payment in lieu of notice, she is guilty of any gross misconduct or serious negligence in connection with the affairs of the Company, or is convicted of an arrestable criminal offence (other than one under road traffic legislation). The service agreement contains provisions restricting Jann Brown's use of confidential information during and after the termination of her employment with the Company and provisions which prevent her from competing with the business, soliciting employees, or soliciting partners, suppliers or public officials for six months after the termination of her employment (less any time spent on garden leave).

Jann Brown is eligible to receive a discretionary annual bonus capped at 150 per cent. of base salary. Under the Company's remuneration policy, one third of any annual bonus will be deferred into awards of Pharos Shares under the 2014 DSBP, with a minimum two year vesting period. Jann Brown participates in the LTIP.

Jann Brown is entitled to the following benefits: 33 days' holiday; medical expenses; life insurance/death in service; permanent health insurance and a car allowance of £750 per month. Jann Brown's service agreement also provides for pension benefits by way of a contribution of a sum equal to 15 per cent. of her monthly salary.

## **7.2 Non-executive directors' letters of appointment**

Letters of appointment have been entered into between the Company and each of the Non-Executive Directors, which set out their respective responsibilities. Those letters of appointment do not provide for any period of notice. Under the Company's articles of association (and consistent with the UK Corporate Governance Code), at each AGM every director must retire and offer themselves for re-election. The following table sets out the date of appointment or last reappointment of each Non-Executive Director. No compensation is payable to any Non-Executive Director who retires at an AGM and is not re-elected or whose appointment is otherwise terminated by the Company. In addition to an annual fee, each Non-Executive Director is also entitled to be reimbursed for out-of-pocket expenses properly and reasonably incurred in the performance of his or her duties.

<i>Director</i>	<i>Date of appointment or of last reappointment</i>	<i>Annual fee<sup>(1)</sup></i>
John Martin <sup>(2)</sup>	8 June 2021	£112,500 <sup>(3)</sup>
Rob Gray	8 June 2021	£90,000 <sup>(4)</sup>
Marianne Daryabegui	8 June 2021	£45,000
Lisa Mitchell	8 June 2021	£56,250 <sup>(5)</sup>
Geoffrey Green	8 June 2021	£56,250 <sup>(6)</sup>

#### **Notes:**

- (1) Each of the Non-Executive Directors agreed to a 25% reduction of their fee from 1 May 2020. The figures above reflect the reduced fees.
- (2) Chair of Nominations Committee.
- (3) Includes fee for office as Chair.
- (4) Includes fee for office as Deputy Chair and Senior Independent Director.
- (5) Includes fee for office as chair of Audit and Risk Committee.
- (6) Includes fee for office as chair of Remuneration Committee.

Save as disclosed in this section 7, there are no existing or proposed service contracts or letters of appointment between any Director and any member of the Group.

## 8. Major Shareholders

- 8.1 As at the Latest Practicable Date, and so far as is known to Pharos by virtue of the notifications made to it pursuant to the Disclosure Guidance and Transparency Rules, the name of each person other than any Director) who, directly or indirectly, is interested in three per cent. or more of the Company's share capital, and the amount of such person's interest, is as follows:

<i>Shareholder</i>	<i>Number of Pharos Shares</i>	<i>Percentage of voting rights attached to the Pharos Shares as at the Latest Practicable Date<sup>(1)</sup></i>
Ettore Contini <sup>(2)</sup>	32,613,577	7.369%
Blue Albacore Business Limited	31,617,359	7.144%
Globe Deals Ltd	27,444,382	6.201%
Aberforth Partners LLP	25,883,843	5.849%
Chemsa Ltd	24,336,925	5.499%
Yorktown Energy Partners VII, LP	22,982,393	5.193%
Lombard Odier Asset Management (Europe) Limited	22,117,521	4.998%
Ed Story <sup>(3)</sup>	16,087,407	3.635%

### Notes:

- (1) Calculated by reference to the issued share capital of the Company as at the Latest Practicable Date, excluding treasury shares.
- (2) The Company has been notified that, of these shares 28,780,000 shares are held through Liquid Business Ltd, a closely associated person to Ettore Contini.
- (3) Of these shares, 1,675,000 Shares are held through The Story Family Trust, a closely associated person to Ed Story, and the balance are held by Mr Story personally.

## 9. Related party transactions

- 9.1 Save as set out below, no related party transactions have been entered into by members of the Group between 1 January 2018 and the Latest Practicable Date.

The related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 which the Company entered into during the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 are included in this Circular through the incorporation by reference of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts and the 2020 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2020 can be found in note 35 on page 143 of the 2020 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2019 can be found in note 35 on page 154 of the 2019 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2018 can be found in note 33 on page 132 of the 2018 Annual Report and Accounts.

The parts of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts and the 2020 Annual Report and Accounts not incorporated by reference as stated above are either not relevant for investors or are covered elsewhere in this Circular. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Circular.

- 9.2 The Company entered the following related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 during the period from 1 January 2021 to 31 October 2021:

(a) *Remuneration of key management personnel*

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate:

	US\$M
Short-term employee benefits	1.6
Pension contributions	0.1
Share-based payments	1.6
	<hr/>
	3.3

(b) *Subsidiary Undertakings*

The following table provides the total amount of transactions which have been entered into by the Company with its subsidiary undertakings:

	US\$M
Transactions during the period	0.5
Amounts invoiced to subsidiaries	0.0
Amounts invoiced from subsidiaries	0.0
Finance income – dividends received	6.0
	<hr/>
Net income/(costs)	6.5

	US\$M
Balances as at 31 October 2021	
Amounts owed by subsidiary undertakings	633.0
Amounts owed to subsidiary undertakings	(351.4)
	<hr/>
	281.6

## 10. Material contracts

### 10.1 The Continuing Group

Other than the contracts set out below and the Transaction Documents (the principal terms of which are summarised in Part III (*Principal Terms of the Transaction*) of this Circular), no member of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Continuing Group; or (ii) which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group as at the date of this Circular.

(a) *2021 RBL Facility Agreement*

On 20 July 2021, Pharos SEA Limited as original borrower (the “**Borrower**”) and the Company, OPECO, Inc., OPECO Vietnam Limited and SOCO Vietnam Ltd. as original guarantors entered into a US\$100 million senior secured borrowing base facility agreement (“**2021 RBL Facility Agreement**”) with BNP Paribas, Credit Agricole Corporate and Investment Bank Hong Kong Branch, DBS Bank Ltd., London Branch and Société Générale, Singapore Branch, as mandated lead arrangers and original lenders, BNP Paribas as facility agent, security agent, modelling bank and account bank, BNP Paribas and Credit Agricole Corporate and Investment Bank Hong Kong Branch as technical banks and Credit Agricole Corporate and Investment Bank Hong Kong Branch as documentation bank. The effective date of the 2021 RBL Facility Agreement, meaning the date on which BNP Paribas as facility agent notified the Group that it had received the various condition precedent documents in form and substance satisfactory to it, was 27 July 2021.

The 2021 RBL Facility Agreement amended and restated, and for practical purposes replaced, the previous US\$125 million senior secured borrowing base facility agreement (“**2018 RBL Facility Agreement**”) entered into by the same Group members, initially with BNP Paribas, Credit Agricole Corporate and Investment Bank and Standard Chartered

Bank as original lenders, BNP Paribas as facility agent, security agent, technical bank and account bank and Standard Chartered Bank as the initial modelling bank. The terms of the 2018 RBL Facility Agreement were summarised in Part VII (*Additional Information*) of the 2018 Acquisition Circular.

The 2021 RBL Facility Agreement has an accordion mechanism that will allow the Borrower to borrow up to an additional US\$50 million, subject to bringing additional petroleum assets into the borrowing base for the facility and securing funding for the increase from the existing and new lenders via the agreed mechanism.

The obligations of the Borrower under the 2021 RBL Facility Agreement are secured by way of an English law debenture and mortgage over the Borrower's assets, as well as share security documentation under Jersey, New York, Cook Islands and Cayman law and a Singaporean account charge over the relevant project accounts. The securities granted by the Group under the 2018 RBL Facility Agreement continue to remain in place in relation to the 2021 RBL Facility Agreement and, in certain cases, have been supplemented by further securities on equivalent or similar terms. In addition, the Borrower's obligations are guaranteed by the original guarantors listed above and any additional guarantors that accede to the 2021 RBL Facility Agreement.

The facility under the 2021 RBL Facility Agreement is to be applied for the following purposes: ((i) refinancing the original loan under the 2018 RBL Facility Agreement; (ii) payment of financing interest, fees, costs and other expenses under the relevant finance documents associated with the 2021 RBL Facility (other than secured hedging agreements), (iii) payment of any hedging liability entered into for the purposes of implementing the agreed hedging policy, (iv) payment of expenditure items in respect of the borrowing base assets (to the extent included in the current projection under the 2021 RBL Facility Agreement), (v) making any acquisition or investment permitted by the 2021 RBL Facility Agreement, (vi) funding the debt serve reserve account, (vii) refinancing maturing loans under the 2021 RBL Facility Agreement, and (viii) for other lawful general corporate purposes relating to oil and gas activities.

The facility matures on the date falling four years after the date of the 2021 RBL Facility Agreement (that is, 20 July 2025) or earlier where the Reserve Tail Date conditions are met. The facility must be drawn in dollars and a utilisation request may be submitted, subject to satisfaction of certain conditions precedent, at any time prior to one month before the final maturity date referred to above. The facility is structured as a revolving facility with three or six month repayment periods and with the facility amortising over the four year term.

The 2021 RBL Facility Agreement contains customary representations, undertakings, covenants and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenant is a leverage test and which provides that the net borrowings of the Group shall not exceed 3.5 times the EBITDAX of the Group in respect of each twelve month period ending on 30 June and 31 December.

The facility may be prepaid without premium or penalty but subject to breakage costs (if any) and any accrued interest. Any voluntary prepayment must be in a minimum amount of US\$5 million, in integral multiples of US\$1 million and only made with at least ten Business Days' notice. The facility may be automatically cancelled or subject to mandatory prepayment following the occurrence of certain events, including illegality in respect of any lender's funding, a change of control of any obligor and receipt of disposal and insurance proceeds over certain threshold amounts.

The interest rate charged on the loans made under the 2021 RBL Facility Agreement will be equal to the aggregate of the applicable margin and LIBOR (or the appropriate replacement benchmark rate, as determined in accordance with the 2021 RBL Facility Agreement). The margin from the date of the agreement to the second anniversary of the 2021 RBL Facility Agreement shall be 4.75 per cent. per annum, with the margin increasing to 5.25 per cent. per annum for the remainder of the term until the final maturity date.

Certain fees are payable to the finance parties in connection with the 2021 RBL Facility Agreement, including upfront fees, coordination fees, technical, modelling and

documentation bank fees and annual agency fees. The 2021 RBL Facility Agreement is governed by English law.

(b) *NBE Facility Agreement*

By letter agreement dated 1 March 2021 and countersigned by Pharos El Fayum on 12 March 2021, Pharos El Fayum as borrower and the National Bank of Egypt (UK) Limited ("**NBE**") as lender, entered into a US\$20 million uncommitted revolving credit facility for discounting (with recourse) trade receivables from oil sales from the El Fayum Concession ("**NBE Revolving Credit Facility**"). The NBE Revolving Credit Facility is secured by (a) an irrevocable payment instruction from Pharos El Fayum acknowledged by EGPC, and (b) a parent company guarantee from the Company. An arrangement fee under the NBE Revolving Credit Facility of 0.75% of the maximum amount of the facility was payable on first utilisation.

Under the NBE Revolving Credit Facility, an amount of up to US\$20 million is available to Pharos El Fayum as a revolving credit facility for receivables on Pharos' El Fayum's oil sales, up to a maximum of 60% of the value of those receivables. Oil sales are evidenced by invoices validated by EGPC.

The initial availability period of the NBE Revolving Credit Facility is one year from Pharos El Fayum's acceptance of the terms of the letter agreement (that is, until 12 March 2022), subject to any later date reasonably requested by Pharos El Fayum and agreed by NBE in its absolute discretion.

Interest on any amounts outstanding under the NBE Revolving Credit Facility, including principal, interest, costs and expenses, is generally payable twice yearly at an annualised rate of 3 or 6 month US\$ LIBOR (or the appropriate replacement benchmark rate) plus an applicable margin of 3% for initial advances and 3.5% for any extensions beyond the first 180 days of utilisation.

Repayment of all amounts outstanding under the NBE Revolving Credit Facility must be made on the relevant maturity date of each utilisation, being 180 days after the utilisation date or such earlier date as Pharos El Fayum may specify in the utilisation notice. However, Pharos El Fayum may seek an extension to the required repayment date of up to another 180 days by evidencing to NBE it will remain capable of servicing the accrued principal under the NBE Revolving Credit Facility.

The NBE Revolving Credit Facility contains customary representations, undertakings, covenants and events of default with appropriate carve-outs and materiality thresholds, where relevant. There is however no specific financial covenant equivalent or similar to the financial covenant applicable to the 2021 RBL Facility Agreement.

Pharos El Fayum has notified NBE of the Transaction.

(c) *Block 16-1 (Vietnam) Petroleum Contract*

The Group's operations in Block 16-1 are governed by a petroleum contract entered into on 15 November 1999 (the "**16-1 Petroleum Contract**") between PetroVietnam, PetroVietnam PSC Supervising Company (now PetroVietnam Exploration & Production Company ("**PVEP**"), a wholly owned subsidiary of PetroVietnam), SOCO Vietnam Ltd ("**SOCO Vietnam**"), Amerada Hess (Vietnam) Limited ("**Hess**") and OPECO Vietnam Ltd ("**OPECO**") (PVEP, SOCO Vietnam, Hess and OPECO, together with their respective successors and permitted assignees being the "**16-1 Contractor Parties**"). The 16-1 Petroleum Contract established the rights and obligations of the parties to explore for, develop and produce crude oil and/or natural gas in Block 16-1, through a joint operating company established under the 16-1 Petroleum Contract (the "**16-1 JOC**"), together with the right to export, sell or otherwise dispose of oil and gas from the Block.

*Term and interests*

The initial term of the 16-1 Petroleum Contract is 25 years. The term can be extended for an additional period of up to five years with the mutual consent of the parties and the

approval of the Vietnamese Government. On 15 July 2020 the Vietnamese Ministry of Industry and Trade (“**MOIT**”) approved an extension of two years to the term of the 16-1 Petroleum Contract, which now runs to 7 December 2026.

Following various assignments and transfers, the current participating interests in the 16-1 Petroleum Contract are: PVEP, 41 per cent.; the Group, 30.5 per cent. (28.5 per cent. through SOCO Vietnam and 2.0 per cent. through OPECO); and PTTEP Hoang-Long Company Limited (“**PTTEP-HL**”), 28.5 per cent.

#### Management committee

Under the terms of the 16-1 Petroleum Contract, a management committee must take certain decisions in relation to the exploration, development and production operations at the Block (the “**16-1 Management Committee**”). The 16-1 Management Committee comprises 6 members, three appointed by PVEP with the remaining three appointed by SOCO Vietnam, OPECO and PTTEP-HL (with each being entitled to appoint one representative). Each member’s voting interest is equal to the participating interest of the 16-1 Contractor Party related to such member. Certain matters require the unanimous consent of all members of the 16-1 Management Committee, including, the approval of any development plan. Certain matters require the majority consent of the members of the 16-1 Management Committee, including, the approval of annual work programmes and budgets (and amendments thereto), production schedules and expenditures exceeding thresholds above the approved annual work programme. The quorum for the 16-1 Management Committee is four members, with at least three members appointed by SOCO Vietnam, OPECO and PTTEP-HL (together with their respective successors and permitted assignees, the “**16-1 Foreign Contractors**”). Once determined by the 16-1 Management Committee, certain matters relating to the Block must also be approved by PetroVietnam, including, all work programmes and budgets (and any amendments thereto), production schedules, well proposals and drilling programmes, surrender or relinquishment of all or part of the Block, expenditures exceeding certain threshold amounts above agreed work plans and budgets, and any lifting or offtake agreements. PetroVietnam retains absolute discretion to withhold its approval of matters put to it by the 16-1 Management Committee.

#### Joint operating company

HLJOC was established as the 16-1 JOC and operator of the Block to carry out the exploration, development and production operations as agent for and on behalf of the 16-1 Contractor Parties and in accordance with the decisions of, and work programmes and budgets approved by, the 16-1 Management Committee. The costs and liabilities of the 16-1 JOC will be borne by the 16-1 Contractor Parties.

The General Manager of the 16-1 JOC was appointed by the 16-1 Foreign Contractors and the Deputy General Manager by PVEP during the exploration period at the Block, following which the General Manager is appointed by PVEP and the Deputy General Manager by the 16-1 Foreign Contractors. The General Manager and Deputy General Manager are primarily responsible for submitting for the approval of the 16-1 Management Committee all work programmes and budgets, appraisal and development plans, and other than in relation to matters requiring the approval of the 16-1 Management Committee, are responsible for the daily operational activities of the 16-1 JOC. Each of PVEP and the 16-1 Foreign Contractors have rights to appoint additional specified officers of the 16-1 JOC.

#### Minimum work and financial commitments

The 16-1 Petroleum Contract provided for certain minimum work commitments and minimum financial obligations that were required to be completed during the exploration phase of the Block. These minimum work commitments and minimum financial obligations have been satisfied.

#### Production sharing and recovery of costs

All costs incurred are funded by the 16-1 Contractor Parties in proportion to their participating interests. The 16-1 Petroleum Contract provided that PVEP’s 35.6 per cent.

share of the costs of exploration, development and production operations funded by the 16-1 Foreign Contractors (“**16-1 Carried Costs**”) were fully recoverable without interest by the 16-1 Foreign Contractors. All 16-1 Carried Costs have now been fully recovered.

All costs incurred by the 16-1 JOC on behalf of the 16-1 Contractor Parties in the course of conducting exploration, development and production operations (“**16-1 Petroleum Operations Costs**”) are funded by the 16-1 Contractor Parties in proportion to their respective participating interests. All crude oil and natural gas remaining after usage in petroleum operations is referred to respectively as “**16-1 Net Crude Oil Production**” and “**16-1 Net Natural Gas Production**” (together, “**16-1 Net Petroleum Production**”) under the 16-1 Petroleum Contract. The 16-1 Net Crude Oil Production and 16-1 Net Natural Gas Production is allocated as set forth below and shall be lifted or offtaken by the 16-1 Contractor Parties.

The first allocations to be made from 16-1 Net Crude Oil Production or 16-1 Net Natural Gas Production are those required to satisfy each 16-1 Contractor Party’s royalty obligations to the Vietnamese Government, which are required on a monthly basis for all 16-1 Net Crude Oil Production and 16-1 Net Natural Gas Production, payable in cash (net of export tax) based on the weighted average price for crude oil or natural gas lifted or offtaken by the 16-1 Contractor Parties at the delivery point on the basis of an arm’s length sales price or non-arm’s length sales price, as appropriate (“**16-1 Market Price**”).

Alternatively, the Vietnamese Government may, by three months written notice, elect to lift and take its royalty rate of production in kind. The rates of such royalties are set out below, determined upon reaching each of the following sustained daily production rates for a minimum of 30 consecutive days of 16-1 Net Crude Oil Production or 16-1 Net Natural Gas Production, respectively:

<i>16-1 Net Crude Oil Production (bbls/Day)</i>	<i>Royalty Rate</i>
Up to 50,000	8 per cent. of 16-1 Net Crude Oil Production
50,001 to 75,000	10 per cent. of 16-1 Net Crude Oil Production
75,001 to 100,000	15 per cent. of 16-1 Net Crude Oil Production
100,001 to 150,000	20 per cent. of 16-1 Net Crude Oil Production
Over 150,000	25 per cent. of 16-1 Net Crude Oil Production

<i>16-1 Net Natural Gas Production (m<sup>3</sup>/Day)</i>	<i>Royalty Rate</i>
Up to 5,000,000	0 per cent. of 16-1 Net Natural Gas Production
5,000,001 to 10,000,000	5 per cent. of 16-1 Net Natural Gas Production
Over 10,000,000	10 per cent. of 16-1 Net Natural Gas Production

The Group is currently paying royalties on its crude oil and natural gas from the Block at a rate of 8 per cent. and 0 per cent. respectively.

The second allocations to be made from 16-1 Net Crude Oil Production or 16-1 Net Natural Gas Production are those required to reimburse the 16-1 Contractor Parties for their cost recovery entitlements.

- Up to 35 per cent. of 16-1 Net Crude Oil Production is allocated to the 16-1 Contractor Parties for the recovery of all 16-1 Petroleum Operations Costs (“**16-1 Cost Recovery Crude Oil**”). 16-1 Petroleum Operations Costs are recovered from the applicable 16-1 Cost Recovery Crude Oil on a first in, first out basis. To the extent that in any month outstanding 16-1 Petroleum Operations Costs related to the Block exceed the value of all 16-1 Cost Recovery Crude Oil from the Block for such month, the excess shall be carried forward for recovery in the next succeeding month until fully recovered.
- Up to 70 per cent. of 16-1 Net Natural Gas Production is allocated to the 16-1 Contractor Parties for the recovery of all 16-1 Petroleum Operations Costs (“**16-1 Cost Recovery Natural Gas**”). 16-1 Petroleum Operations Costs are recovered

from the applicable 16-1 Cost Recovery Natural Gas on a first in, first out basis on the same terms as described in (a) above. To the extent that in any month outstanding 16-1 Petroleum Operations Costs related to the Block exceed the value of all 16-1 Cost Recovery Natural Gas from the Block for such month, the excess shall be carried forward for recovery in the next succeeding month until fully recovered.

After the allocations have been made for royalties, 16-1 Cost Recovery Crude Oil or 16-1 Cost Recovery Natural Gas, as applicable, the remainder of 16-1 Net Crude Oil Production or 16-1 Net Natural Gas Production, as the case may be, shall be allocated to "16-1 Profit Oil" or "16-1 Profit Gas".

Under the 16-1 Petroleum Contract, 16-1 Profit Oil and 16-1 Profit Gas for any quarter shall be shared as set forth below. The sharing of such 16-1 Profit Oil and 16-1 Profit Gas shall be accomplished through the lifting or offtaking of the respective amounts of crude oil and natural gas, as applicable, by the 16-1 Foreign Contractors and PVEP.

The respective splits for 16-1 Profit Oil:

<i>Production Level (BOPD)</i>	<i>16-1 Foreign Contractors</i>	<i>PVEP</i>
At any level	59 per cent.	41 per cent.

The respective splits for 16-1 Profit Gas:

<i>Production Level (MCFPD)</i>	<i>16-1 Foreign Contractors</i>	<i>PVEP</i>
At any level	59 per cent.	41 per cent.

Each 16-1 Contractor Party is subject to Vietnamese tax laws, and each 16-1 Contractor Party is liable for enterprise income tax payable at a rate of 50 per cent. of its net taxable profits calculated in accordance with applicable law. Each 16-1 Contractor Party shall pay to the Vietnamese Government a remittance tax at a rate of 10 per cent., subject to any tax treaty Vietnam may have for the avoidance of double taxation, on the part of the net after tax profits which are remitted and/or retained outside Vietnam, subject to normal reinvestment relief principles. In addition, each 16-1 Contractor Party shall pay export tax at a rate of four per cent. of the 16-1 Market Price of crude oil lifted and exported outside Vietnam (such payment shall qualify as 16-1 Petroleum Operations Costs). Furthermore, petroleum sold pursuant to the 16-1 Petroleum Contract is subject to VAT at the following rates:

Natural Gas sold for the export market	0 per cent. rate
Natural Gas sold for the domestic market	10 per cent. rate
Crude Oil sold for the export market	Not subject to VAT
Crude Oil sold for the domestic market	10 per cent. rate

Under the 16-1 Petroleum Contract, each of the 16-1 Contractor Parties has the right to lift, take, export and sell or otherwise dispose of its Cost Recovery Petroleum and its share of 16-1 Profit Oil and 16-1 Profit Gas outside Vietnam. However, the terms of the 16-1 Petroleum Contract provide that in the event that the Vietnamese Government declares a national demand in accordance with Vietnamese law, the Vietnamese Government may require each 16-1 Contractor Party, by written notice given 180 days in advance, to sell a portion of its crude oil to PetroVietnam, in its role as the state oil company, to meet its domestic consumption needs, provided that this right shall not apply where its exercise would cause the 16-1 Contractor Party to breach a contract of sale of such crude oil to a third party. The amount of crude oil that each 16-1 Contractor Party shall be obligated to sell to PetroVietnam in these circumstances shall be equal to that proportion of the domestic market deficit each quarter that each Contractor Party's crude oil production each quarter bears to the production of crude oil of all contractors each quarter under petroleum contracts in Vietnam. The net price to be paid to each Contractor Party for such sales of crude oil shall be not less than the 16-1 Market Price, which shall be paid in dollars and within 30 days of delivery.

#### Bonuses

The 16-1 Petroleum Contract provides that the 16-1 Foreign Contractors shall pay to the Vietnamese Government certain bonuses (which shall not be recoverable as 16-1 Petroleum Operations Costs or deductible from tax), in proportion to their participating interest, in a number of specified circumstances which include the payment within 30 days after achieving for the first time the following sustained production levels for a period of 30 consecutive days of: (i) over 25,000 barrels per day, US\$2 million; (ii) over 50,000 barrels per day, US\$3 million; (iii) over 75,000 barrels per day, US\$4 million; (iv) over 100,000 barrels per day, US\$5 million; and (v) over 150,000 barrels per day, US\$7 million. As at the Latest Practicable Date, the 50,000 barrels per day threshold has been achieved.

#### Ownership of assets

The 16-1 Petroleum Contract provides that physical assets purchased by the 16-1 Contractor Parties for the carrying out of petroleum operations under the 16-1 Petroleum Contract for which cost recovery is allowable, and claimed as 16-1 Petroleum Operations Costs, shall become the property of PetroVietnam on the date on which the costs of such assets has been fully recovered or upon termination of the 16-1 Petroleum Contract, whichever occurs first. The 16-1 JOC shall have the right to use such assets free of charge for the remainder of the term of the 16-1 Petroleum Contract.

The 16-1 Contractor Parties shall be liable for the abandonment and decommissioning of operations and equipment in accordance with an abandonment work programme and budget approved by the 16-1 Management Committee.

#### Assignment

The 16-1 Petroleum Contract provides that each 16-1 Contractor Party may freely assign its rights and obligations and participating interest under the 16-1 Petroleum Contract free of any taxes, fees, duties or charges to an affiliate with the prior written consent of PetroVietnam and the final approval of the Vietnamese Government (not to be unreasonably withheld).

Each 16-1 Contractor Party may sell or assign, all or a portion of, its rights and obligations and its participating interest free of any taxes, fees, duties or any charges to a non-affiliated third party with the prior written consent of the other 16-1 Contractor Parties and the final approval of the Vietnamese Government (such consent and approval not to be unreasonably withheld). The 16-1 Petroleum Contract further provides that, subject to certain exceptions, PetroVietnam shall have a pre-emptive right to acquire such participating interest.

Subject to the terms of the Vietnamese petroleum law, each 16-1 Contractor Party shall have a right of first refusal to purchase the participating interest (apportioned among the 16-1 Contractor Parties in accordance with their respective participating interests), of the 16-1 Contractor Party wishing to sell or assign their participating interest in whole or in part to a non-affiliate third party.

#### Default

Under the 16-1 Petroleum Contract, any 16-1 Contractor Party in default of any payment due thereunder (a “**16-1 Defaulting Party**”) shall be promptly given notice (a “**16-1 Default Notice**”) of such default by the 16-1 JOC. The amount not paid by the 16-1 Defaulting Party shall bear interest from the due date until paid in full at the monthly LIBOR interest rate plus two percent.

During the continuance of such default, the 16-1 Defaulting Party shall not have a right to its share of 16-1 Net Petroleum Production. The 16-1 non-Defaulting Parties shall be authorised to sell such entitlement at arm’s length on commercially reasonable terms and, after deducting all costs incurred in connection with such sale, pay the net proceeds to the 16-1 non-Defaulting Parties in proportion to the amounts they are owed by the 16-1 Defaulting Party under the 16-1 Petroleum Contract (and apply such net proceeds toward the establishment of a reserve fund in an amount equal to the 16-1 Defaulting Party’s participating interest share, for the purposes of covering its share of estimated costs in

connection with the abandonment and cessation of petroleum operations in which the 16-1 Defaulting Party participated) until all such amounts are recovered and such reserve fund is established.

If a 16-1 Defaulting Party fails to remedy its default by the sixtieth day following the date of the 16-1 Default Notice, each 16-1 non-Defaulting Party shall have the option until such default is cured, to require the 16-1 Defaulting Party to withdraw from the 16-1 Petroleum Contract and transfer all of its rights, title and beneficial interest in and under the 16-1 Petroleum Contract to the 16-1 non-Defaulting Parties. In the absence of an agreement among the 16-1 non-Defaulting Parties to the contrary, any such transfer shall be in the proportion that each of their participating interest bears to the sum of their total participating interests.

#### Termination

Under the 16-1 Petroleum Contract, the 16-1 Contractor Parties have various termination rights, which include: (i) where an event of force majeure (as stipulated in the 16-1 Petroleum Contract) has lasted for a continuous period of 18 months and the 16-1 Foreign Contractors are in unanimous agreement to terminate the 16-1 Petroleum Contract, they may do so by providing not less than 90 days' notice to PVEP and PetroVietnam; and (ii) in the event of insolvency or bankruptcy of a 16-1 Contractor Party, the other 16-1 Contractor Parties shall have the option (subject to the appropriate approvals from the Vietnamese Government) to either assume the participating interest of such 16-1 Contractor Party, on a proportionate basis or any other basis agreed upon with the other 16-1 Contractor Parties, or to terminate the 16-1 Petroleum Contract.

The Ministry of Planning and Investment of Vietnam shall have the right to terminate the 16-1 Petroleum Contract in the event that it terminates the investment licence relating to the 16-1 Petroleum Contract for the 16-1 Contractor Parties' failure to comply with material provisions thereunder.

#### Governing law and arbitration

The 16-1 Petroleum Contract provides that differences or disputes between all of the parties to the 16-1 Petroleum Contract or the 16-1 Foreign Contractors and PetroVietnam which cannot be settled through amicable negotiations within a period of 90 days, shall be finally settled by arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce.

The place of arbitration shall be Singapore and the 16-1 Petroleum Contract shall be construed and interpreted in accordance with the laws of Singapore, without regard to Singapore's conflict of laws rules.

#### Unitisation

A unitisation agreement was entered into between PetroVietnam, PVEP, SOCO Vietnam, PTTEP-HL, OPECO and Talisman (Vietnam 15-02/01) Ltd. on 30 October 2012 in order to provide for the creation of a new Block to develop and exploit hydrocarbon reserves which straddle the boundaries of Block 16-1 and Block 15-2/01. The current equity split granted to the 16-1 Contractor Parties, approved by the Vietnamese Government on 1 April 2016, is 98.8822 per cent. oil and condensate interest and 98.5463 per cent. gas interest.

#### (d) *Block 9-2 (Vietnam) Petroleum Contract*

The Group's operations in Block 9-2 are governed by a petroleum contract entered into on 16 December 2000 (the "**9-2 Petroleum Contract**") between PetroVietnam, SOCO Vietnam and Petroleum Investment & Development Company ("**PIDC**") (SOCO Vietnam and PIDC, together with their successors and permitted assignees being the "**9-2 Contractor Parties**"). The 9-2 Petroleum Contract established the rights and obligations of the parties to explore for, develop and produce crude oil and/or natural gas in Block 9-2, through a joint operating company established under the 9-2 Petroleum Contract (the "**9-2 JOC**"), together with the right to export, sell or otherwise dispose of oil and gas from the Block.

#### Term and interests

The initial term of the 9-2 Petroleum Contract is 25 years in the case of crude oil and 30 years in the case of natural gas. The term can be extended for an additional period of up to 5 years with the mutual consent of the parties and the approval of the Vietnamese Government. On 19 August 2020, MOIT approved an extension of two years to the term of the 9-2 Petroleum Contract, which now runs to 15 December 2027.

Following various assignments and transfers, the current participating interests in the 9-2 Petroleum Contract are PIDC, 50 per cent.; SOCO Vietnam, 25 per cent.; and PTTEP Hoang-Long Company Limited ("**PTTEP-HL**"), 25 per cent.

#### Management committee

Under the terms of the 9-2 Petroleum Contract, a management committee must take certain decisions in relation to the exploration, development and production operations at the Block (the "**9-2 Management Committee**"). The 9-2 Management Committee comprises four members, two appointed by PIDC with the remaining two appointed by SOCO Vietnam (together with their successors and permitted assignees, the "**9-2 Foreign Contractors**"). Certain matters require the unanimous consent of all members of the 9-2 Management Committee, including, the approval of any development plan. Certain matters require the majority consent of the members of the 9-2 Management Committee, including, the approval of annual work programmes and budgets (and amendments thereto), production schedules and expenditures exceeding thresholds above the approved annual work programme. The quorum for the 9-2 Management Committee is two members, with at least one member appointed by each of PIDC and the 9-2 Foreign Contractors. Once determined by the 9-2 Management Committee, certain matters relating to the Block must also be approved by PetroVietnam, including, all work programmes and budgets (and any amendments thereto), production schedules, well proposals and drilling programmes, surrender or relinquishment of all or part of the Block, expenditures exceeding certain threshold amounts above agreed work plans and budgets, and any lifting or offtake agreements. PetroVietnam retains absolute discretion to withhold its approval of matters put to it by the 9-2 Management Committee.

#### Joint operating company

Hoan Vu Joint Operating Company ("**HVJOC**") was established as the 9-2 JOC and operator of the Block to carry out the exploration, development and production operations as agent for and on behalf of the 9-2 Contractor Parties and in accordance with the decisions of, and work programmes and budgets approved by, the 9-2 Management Committee. The costs and liabilities of the 9-2 JOC will be borne by the 9-2 Contractor Parties.

The terms and conditions under which the 9-2 JOC acts as the agent for and on behalf of the 9-2 Contractor Parties is set out in the operating agreement dated 16 December 2000 between PIDC and SOCO Vietnam summarised below (the "**9-2 Operating Agreement**").

The General Manager of the 9-2 JOC was appointed by the 9-2 Foreign Contractors and the Deputy General Manager by PIDC during the exploration period at the Block, following which the General Manager is appointed by PIDC and the Deputy General Manager by the 9-2 Foreign Contractors. The General Manager and Deputy General Manager are primarily responsible for submitting for the approval of the 9-2 Management Committee all work programmes and budgets, appraisal and development plans, and other than in relation to matters requiring the approval of the 9-2 Management Committee, are responsible for the daily operational activities of the 9-2 JOC. Each of PIDC and the 9-2 Foreign Contractors have rights to appoint additional specified officers of the 9-2 JOC.

#### Minimum work and financial commitments

The 9-2 Petroleum Contract provided for certain minimum work commitments and minimum financial obligations that were required to be completed during the exploration phase of the Block. These minimum work commitments and minimum financial obligations have been satisfied.

#### Production sharing and recovery of costs

Under the 9-2 Petroleum Contract, the 9-2 Foreign Contractors were responsible for funding the cost of all exploration operations until determination of the first development area. All costs incurred after the determination of the first development area are funded by the 9-2 Contractor Parties in proportion to their participating interests. The 9-2 Petroleum Contract provided that PIDC's 50 per cent. share of the costs of exploration, development and production operations funded by the 9-2 Foreign Contractors ("**9-2 Carried Costs**") were fully recoverable without interest by the 9-2 Foreign Contractors. All 9-2 Carried Costs have now been fully recovered.

All costs incurred by the 9-2 JOC on behalf of the 9-2 Contractor Parties in the course of conducting exploration, development and production operations ("**9-2 Petroleum Operations Costs**") are funded by the 9-2 Contractor Parties in proportion to their respective participating interests. All crude oil and natural gas remaining after usage in petroleum operations is referred to respectively as "**9-2 Net Crude Oil Production**" and "**9-2 Net Natural Gas Production**" (together, "**Net Petroleum Production**") under the 9-2 Petroleum Contract. The 9-2 Net Crude Oil Production and 9-2 Net Natural Gas Production is allocated as set forth below and shall be lifted or offtaken by the 9-2 Contractor Parties.

The first allocations to be made from 9-2 Net Crude Oil Production or 9-2 Net Natural Gas Production are those required to satisfy each 9-2 Contractor Party's royalty obligations to the Vietnamese Government, which are required on a monthly basis for all 9-2 Net Crude Oil Production and 9-2 Net Natural Gas Production, payable in cash (net of export tax) based on the weighted average price for crude oil or natural gas lifted or offtaken by the 9-2 Contractor Parties at the delivery point on the basis of an arm's length sales price or non-arm's length sales price, as appropriate ("**9-2 Market Price**"). Alternatively, the Vietnamese Government may, by three months written notice, elect to lift and take its royalty rate of production in kind.

The rate of such royalties are set out below, determined upon reaching each of the following sustained daily production rates for a minimum of 30 consecutive days of 9-2 Net Crude Oil Production or 9-2 Net Natural Gas Production, respectively:

#### *9-2 Net Crude Oil*

<i>Production (bbls/Day)</i>	<i>Royalty Rate</i>
Up to 20,000	6 per cent. of 9-2 Net Crude Oil Production
20,001 to 50,000	8 per cent. of 9-2 Net Crude Oil Production
50,001 to 75,000	10 per cent. of 9-2 Net Crude Oil Production
75,001 to 100,000	15 per cent. of 9-2 Net Crude Oil Production
100,001 to 150,000	20 per cent. of 9-2 Net Crude Oil Production
Over 150,000	25 per cent. of 9-2 Net Crude Oil Production

#### *9-2 Net Natural Gas*

<i>Production (m3/Day)</i>	<i>Royalty Rate</i>
Up to 5,000,000	0 per cent. of 9-2 Net Natural Gas Production
5,000,001 to 10,000,000	5 per cent. of 9-2 Net Natural Gas Production
Over 10,000,000	10 per cent. of 9-2 Net Natural Gas Production

The second allocations to be made from 9-2 Net Crude Oil Production or 9-2 Net Natural Gas Production are those required to reimburse the 9-2 Contractor Parties for their cost recovery entitlements.

- 9-2 Net Crude Oil Production is allocated to the 9-2 Contractor Parties for the recovery of all 9-2 Petroleum Operations Costs ("**9-2 Cost Recovery Crude Oil**") as follows: (i) for any month prior to and including the first month in which the aggregate amount of 9-2 Net Crude Oil Production exceeds an average daily rate for such month of 20,000 barrels per day, up to 50 per cent. of 9-2 Net Crude Oil Production and (ii) for any month thereafter, up to 35 per cent. of 9-2 Net Crude Oil Production. 9-2 Petroleum Operations Costs are recovered from the applicable 9-2 Cost Recovery Crude Oil on a first in, first out basis. To the extent that in any month

outstanding 9-2 Petroleum Operations Costs related to the Block exceed the value of all 9-2 Cost Recovery Crude Oil from the Block for such month, the excess shall be carried forward for recovery in the next succeeding month until fully recovered.

- Up to 70 per cent. of 9-2 Net Natural Gas Production is allocated to the 9-2 Contractor Parties for the recovery of all 9-2 Petroleum Operations Costs ("**9-2 Cost Recovery Natural Gas**"). 9-2 Petroleum Operations Costs are recovered from the applicable 9-2 Cost Recovery Natural Gas on a first in, first out basis on the same terms as described in (a) above. To the extent that in any month outstanding 9-2 Petroleum Operations Costs related to the Block exceed the value of all 9-2 Cost Recovery Natural Gas from the Block for such month, the excess shall be carried forward for recovery in the next succeeding month until fully recovered.

After the allocations have been made for royalties, 9-2 Cost Recovery Crude Oil or 9-2 Cost Recovery Natural Gas, as applicable, the remainder of 9-2 Net Crude Oil Production or 9-2 Net Natural Gas Production, as the case may be, shall be allocated to "9-2 Profit Oil" or "9-2 Profit Gas".

Under the 9-2 Petroleum Contract, 9-2 Profit Oil and 9-2 Profit Gas for any quarter shall be shared as set forth below. The sharing of such 9-2 Profit Oil and 9-2 Profit Gas shall be accomplished through the lifting or offtaking of the respective amounts of crude oil and natural gas, as applicable, by the 9-2 Foreign Contractors and PIDC.

The respective splits for 9-2 Profit Oil:

<i>Production Level (BOPD)</i>	<i>9-2 Foreign Contractors</i>	<i>PVEP</i>
At any level	50 per cent.	50 per cent.

The respective splits for 9-2 Profit Gas:

<i>Production Level (MCFPD)</i>	<i>9-2 Foreign Contractors</i>	<i>PVEP</i>
At any level	50 per cent.	50 per cent.

Each 9-2 Contractor Party is subject to Vietnamese tax laws, and each 9-2 Contractor Party is liable for enterprise income tax payable at a rate of 50 per cent. of its net taxable profits calculated in accordance with applicable law. In the case of a field determined to be marginally economic or uneconomic (as determined following good faith negotiations between PetroVietnam and the 9-2 Contractor Parties and approved by the Vietnamese Government): (i) for a period of up to two years from the first production date, no enterprise income tax shall be incurred or payable, and (ii) for a further period of up to two calendar years thereafter, the enterprise income tax shall be reduced by one half to 25 per cent.

Each 9-2 Contractor Party shall pay to the Vietnamese Government a remittance tax at a rate of 7 per cent. subject to any tax treaty Vietnam may have for the avoidance for double taxation, on the part of the net after tax profits which are remitted and/or retained outside Vietnam, subject to normal reinvestment relief principles. In addition, each 9-2 Contractor Party shall pay export tax at a rate of four per cent. of the 9-2 Market Price of crude oil lifted and exported outside Vietnam net of royalty deductions (such payment shall be tax deductible). Furthermore, petroleum sold pursuant to the 9-2 Petroleum Contract is subject to VAT at the following rates:

Natural Gas sold for the export market	0 per cent. rate
Natural Gas sold for the domestic market	10 per cent. rate
Crude Oil sold for the export market	Not subject to VAT
Crude Oil sold for the domestic market	10 per cent. rate

Under the 9-2 Petroleum Contract, each of the 9-2 Contractor Parties has the right to lift, take, export and sell or otherwise dispose of its 9-2 Cost Recovery Crude Oil and 9-2 Cost Recovery Natural Gas and its share of 9-2 Profit Oil and 9-2 Profit Gas outside Vietnam. However, the terms of the 9-2 Petroleum Contract provide that in the event that the Vietnamese Government declares a national demand in accordance with Vietnamese law,

the Vietnamese Government may require each 9-2 Contractor Party, by written notice given 180 days in advance, to sell a portion of its crude oil to PetroVietnam, in its role as the state oil company, to meet its domestic consumption needs, provided that this right shall not apply where its exercise would cause the 9-2 Contractor Party to breach a contract of sale of such crude oil to a third party. The amount of crude oil that each 9-2 Contractor Party shall be obligated to sell to PetroVietnam in these circumstances shall be equal to that proportion of the domestic market deficit each quarter that each Contractor Party's crude oil production each quarter bears to the production of crude oil of all contractors each quarter under petroleum contracts in Vietnam. The net price to be paid to each Contractor Party for such sales of crude oil shall be not less than the 9-2 Market Price, which shall be paid in dollars and within 30 days of delivery.

#### Bonuses

The 9-2 Petroleum Contract provides that the 9-2 Foreign Contractors shall pay to the Vietnamese Government certain bonuses (which shall not be recoverable as 9-2 Petroleum Operations Costs or deductible from tax), in proportion to their participating interest, in a number of specified circumstances which include the payment within 30 days after achieving for the first time the following sustained production levels for a period of 30 consecutive days of: (i) over 25,000 barrels per day, US\$2 million; (ii) over 50,000 barrels per day, US\$3 million; (iii) over 75,000 barrels per day, US\$4 million; (iv) over 100,000 barrels per day, US\$5 million; and (v) over 150,000 barrels per day, US\$7 million. As at the Latest Practicable Date, none of the above bonus thresholds have been achieved.

#### Ownership of assets

The 9-2 Petroleum Contract provides that physical assets purchased by the 9-2 Contractor Parties for the carrying out of petroleum operations under the 9-2 Petroleum Contract for which cost recovery is allowable, and claimed as 9-2 Petroleum Operations Costs, shall become the property of PetroVietnam on the date on which the costs of such assets has been fully recovered or upon termination of the 9-2 Petroleum Contract, whichever occurs first. The 9-2 JOC shall have the right to use such assets free of charge for the remainder of the term of the 9-2 Petroleum Contract.

The 9-2 Contractor Parties shall be liable for the abandonment and decommissioning of operations and equipment in accordance with an abandonment work programme and budget approved by the 9-2 Management Committee.

#### Assignment

The 9-2 Petroleum Contract provides that each 9-2 Contractor Party may freely assign its rights and obligations and participating interest under the 9-2 Petroleum Contract free of any taxes, fees, duties or charges (to an affiliate with the prior written consent of PetroVietnam and the final approval of the Vietnamese Government (not to be unreasonably withheld)).

Each 9-2 Contractor Party may sell or assign, all or a portion of, its rights and obligations and its participating interest free of any taxes, fees, duties or any charges (except for transfer tax on profits arising from such sale or assignment) to a non-affiliated third party with the prior written consent of the other 9-2 Contractor Parties and the final approval of the Vietnamese Government (such consent and approval not to be unreasonably withheld). The 9-2 Petroleum Contract further provides that, subject to certain exceptions, PetroVietnam shall have a pre-emptive right to acquire such participating interest. Subject to the terms of the Vietnamese petroleum law, each 9-2 Contractor Party shall have a right of first refusal to purchase the participating interest (apportioned among the 9-2 Contractor Parties in accordance with their respective participating interests), of the 9-2 Contractor Party wishing to sell or assign their participating interest in whole or in part to a non-affiliate third party.

#### Default

Under the 9-2 Petroleum Contract, any 9-2 Contractor Party in default of any payment due thereunder (a “**9-2 Defaulting Party**”) shall be promptly given notice (a “**9-2 Default Notice**”) of such default by the 9-2 JOC. The amount not paid by the 9-2 Defaulting Party shall bear interest from the due date until paid in full at the monthly LIBOR interest rate plus two percent.

During the continuance of such default, the 9-2 Defaulting Party shall not have a right to its share of 9-2 Net Petroleum Production. The 9-2 non-Defaulting Parties shall be authorised to sell such entitlement at arm’s length on commercially reasonable terms and, after deducting all costs incurred in connection with such sale, pay the net proceeds to the 9-2 non-Defaulting Parties in proportion to the amounts they are owed by the 9-2 Defaulting Party under the 9-2 Petroleum Contract (and apply such net proceeds toward the establishment of a reserve fund in an amount equal to the 9-2 Defaulting Party’s participating interest share, for the purposes of covering its share of estimated costs in connection with the abandonment and cessation of petroleum operations in which the 9-2 Defaulting Party participated) until all such amounts are recovered and such reserve fund is established.

If a 9-2 Defaulting Party fails to remedy its default by the sixtieth day following the date of the 9-2 Default Notice, each 9-2 non-Defaulting Party shall have the option until such default is cured, to require the 9-2 Defaulting Party to withdraw from the 9-2 Petroleum Contract and transfer all of its rights, title and beneficial interest in and under the 9-2 Petroleum Contract to the 9-2 non-Defaulting Parties. In the absence of an agreement among the 9-2 non-Defaulting Parties to the contrary, any such transfer shall be in the proportion that each of their participating interest bears to the sum of their total participating interests.

#### Termination

Under the 9-2 Petroleum Contract, the 9-2 Contractor Parties have various termination rights, which include: (i) where an event of force majeure (as stipulated in the 9-2 Petroleum Contract) has lasted for a continuous period of 18 months and the 9-2 Foreign Contractors are in unanimous agreement to terminate the 9-2 Petroleum Contract, they may do so by providing not less than 90 days’ notice to PIDC and PetroVietnam; and (ii) in the event of insolvency or bankruptcy of a 9-2 Contractor Party, the other 9-2 Contractor Parties shall have the option (subject to the appropriate approvals from the Vietnamese Government) to either assume the participating interest of such 9-2 Contractor Party, on a proportionate basis or any other basis agreed upon with the other 9-2 Contractor Parties, or to terminate the 9-2 Petroleum Contract.

The Ministry of Planning and Investment of Vietnam shall have the right to terminate the 9-2 Petroleum Contract in the event that it terminates the investment licence relating to the 9-2 Petroleum Contract for the 9-2 Contractor Parties’ failure to comply with material provisions thereunder.

#### Governing law and arbitration

The 9-2 Petroleum Contract provides that differences or disputes between all of the parties to the 9-2 Petroleum Contract or the 9-2 Foreign Contractors and PetroVietnam which cannot be settled through amicable negotiations within a period of 90 days, shall be finally settled by arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce. The place of arbitration shall be Singapore and the 9-2 Petroleum Contract shall be construed and interpreted in accordance with the laws of Singapore, without regard to Singapore’s conflict of laws rules.

#### (e) *Block 9-2 Operating Agreement*

On 16 December 2000, SOCO Vietnam, PIDC, HJVOC and PetroVietnam entered into an operating agreement (the “**9-2 OA**”) to provide for supplemental terms regarding the relationship between the 9-2 Contractor Parties in the exploration, development and operation of Block 9-2 and, in particular, the duties and obligations of the 9-2 JOC, HJVOC,

in conducting petroleum operations pursuant to the 9-2 Petroleum Contract as agent of the 9-2 Contractor Parties.

The 9-2 OA provides that the 9-2 Contractor Parties shall be liable for the debts of the 9-2 JOC to the extent of, and in accordance with, their respective participating interests under the 9-2 Petroleum Contract.

The 9-2 OA sets out the responsibilities of the 9-2 JOC, which include: (i) performing petroleum operations in accordance with the provisions of the 9-2 Petroleum Contract; (ii) conducting all such operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles consistent with the Generally Accepted International Petroleum Practices; (iii) neither making a gain nor suffering a loss as a result of conducting such operations; and (iv) preparing and submitting work programmes and budgets, appraisal plans and development plans.

The 9-2 OA provides that the 9-2 Contractor Parties shall take all reasonable steps to assist the 9-2 JOC, upon request, with the performance of its duties and obligations therein.

The governing law and arbitration clauses of the 9-2 Petroleum Contract are incorporated by reference into the 9-2 OA. An assignment of participating interest under the 9-2 Petroleum Contract shall result in the assignment of the corresponding rights and obligations of the transferring party under the 9-2 OA.

(f) *Blocks 125 and 126 (Vietnam) PSC*

The Group's operations in Blocks 125 and 126 in Vietnam are governed by a petroleum production sharing contract entered into on 27 October 2017 (the "**125/126 PSC**") between PetroVietnam, SOCO Exploration (Vietnam) Limited ("**SEVL**") and SOVICO Holdings Company ("**SOVICO**") (SEVL and SOVICO together, the "**125/126 Contractor Parties**"). The participating interests of the 125/126 Contractor Parties are as follows: SEVL, 70 per cent.; and SOVICO, 30 per cent.

**Term**

The term of the 125/126 PSC is 30 years from 9 November 2017 (the "**125/126 Effective Date**"), which may be extended by a further five years upon mutual agreement of the parties and approval by the Prime Minister of Vietnam. The 125/126 Exploration Period (as defined below) is stated in the 125/126 PSC to be seven years from the 125/126 Effective Date (and may be extended by a further two years) and divided into two phases: four years for the first phase ("**125/126 Phase One**") and three years for the second phase ("**125/126 Phase Two**") (together, the "**125/126 Exploration Period**"). On 8 September 2021, MOIT approved a two year extension to the term of 125/126 Phase One, to 8 November 2023. The extension was approved to allow SEVL, as operator, to (a) undertake or continue the processing and interpretation of seismic data acquired earlier in 2021, (b) identify and evaluate prospects, (c) select an exploration well location and (d) to prepare and drill the exploration well. Reference is made to the section headed "Minimum work and financial commitments" below.

The 125/126 Contractor Parties shall have the option (but not the obligation) to enter into 125/126 Phase Two.

The 125/126 PSC shall, subject to provisions providing for extensions in certain limited cases, terminate if at the end of the 125/126 Exploration Period no discovery or accumulation of hydrocarbons, which in the sole opinion of the 125/126 Contractor Parties can be exploited economically (a "**125/126 Commercial Discovery**"), has been declared in the relevant area.

**Minimum work and financial commitments**

The 125/126 Contractor Parties shall be required to commence operations no later than 30 days following PetroVietnam's approval of a work programme and budget. Under 125/126 Phase One, the 125/126 Contractor Parties will be required to undertake certain

minimum work and financial commitments. These include undertaking the acquisition, processing and interpretation of seismic surveys representing 7,000 km of 2D data and 500 sq. km of 3D data and the drilling of one exploration well. The minimum financial commitment for 125/126 Phase One is US\$23.5 million. During 2021, the Group acquired 2D and 3D seismic data in excess of the 125/126 Phase One minimum work commitment and, as at the Latest Practicable Date, the processing and interpretation of the seismic data is ongoing.

Under 125/126 Phase Two, the 125/126 Contractor Parties will be required to undertake the Acquisition, processing and interpretation of seismic surveys representing a further 500 sq. km of 3D data and the drilling of a further exploration well. The minimum financial commitment for 125/126 Phase Two is US\$16.5 million. Where the 125/126 Contractor Parties exceed the minimum work commitment for each phase, this excess work shall be credited towards the minimum work commitment of the following phase (if and when, the 125/126 Contractor Parties opt to enter into the subsequent phase). If the 125/126 Contractor parties satisfy their minimum work commitments at a cost less than the minimum financial commitments, they shall be deemed to have satisfied the latter.

#### Management committee

Under the terms of the 125/126 PSC, a management committee must take certain decisions in relation to exploration, development and production operations (the “**125/126 Management Committee**”). The 125/126 Management Committee comprises four members, two appointed by PetroVietnam and two appointed by the 125/126 Contractor Parties. The number of members comprising the 125/126 Management Committee may be increased or decreased from time to time by mutual agreement of the parties and a chairman shall be designated by the 125/126 Contractor Parties prior to the declaration of the first 125/126 Commercial Discovery, following which PetroVietnam shall designate one of its members as the chairman. Meetings shall require a quorum of at least one member from each of the 125/126 Contractor Parties and PetroVietnam.

All decisions of the 125/126 Management Committee shall be taken by the unanimous vote of its members save for those dealing with exploration and appraisal matters before the declaration of the first 125/126 Commercial Discovery which shall be taken by a majority vote or as otherwise agreed by the parties.

Matters within the remit of the 125/126 Management Committee include the adoption of annual work programmes and budgets any amendments thereto, the adoption of procedures regarding the selection of subcontractors, the adoption of the appraisal plan in relation to any discovery, the adoption of evaluation reports and annual production schedules and the adoption of any proposal on surrender.

#### Surrender

If the 125/126 Contractor Parties elect to enter into 125/126 Phase Two, before or by the end of 125/126 Phase One (plus any extension thereof), they shall surrender no less than 20 per cent. of the contract area (excluding any development area). Before or by the end of the 125/126 Exploration Period (plus any extension thereof), the 125/126 Contract Parties shall surrender all remaining portions of the contract area subject to limited exceptions (such as the exclusion of any development areas from such obligation).

#### Discovery of hydrocarbons

If the 125/126 Contractor Parties determine that a discovery has been made, they shall notify the 125/126 Management Committee as soon as practicable. Within 90 days after such notice, the 125/126 Contractor Parties shall present an appraisal plan for such discovery to the 125/126 Management Committee, following which the 125/126 Management Committee shall review and adopt the proposed appraisal plan within 30 days. Within 10 days of such adoption, the 125/126 Contractor Parties shall submit the appraisal plan to PetroVietnam for its final approval within 30 days (subject to any amendments which it wishes to make). The 125/126 Contractor Parties shall then, as soon as practicable, implement the appraisal plan approved by PetroVietnam.

Within 90 days, or such other period as agreed by PetroVietnam, the 125/126 Contractor Parties shall submit a “hydrocarbon initially in place” evaluation report of the discovery under the appraisal plan together with a declaration to the 125/126 Management Committee as to whether the discovery is a 125/126 Commercial Discovery. The 125/126 Contractor Parties shall submit their proposal for a development area in relation to such discovery in accordance with the provisions of the 125/126 PSC and the Generally Accepted International Petroleum Industry Standards. The 125/126 Management Committee shall review and adopt such report within 30 days of receipt and the 125/126 Contractor Parties shall thereafter, within 10 days of adoption, submit such report to PetroVietnam for consideration and adoption and for subsequent submission to the Prime Minister of Vietnam for final approval in accordance with the application regulations on reserves management in Vietnam.

Within 90 days, or such other period agreed by PetroVietnam, after the date of final approval of the “hydrocarbon initially in place” report in respect of any 125/126 Commercial Discovery, the 125/126 Contractor Parties shall submit to the 125/126 Management Committee for adoption a complete outline development plan which shall include a preliminary feasibility study. Subject to amendments it may wish to make, the 125/126 Management Committee shall adopt such plan within 30 days. Within 10 days of such adoption, the 125/126 Contractor Parties shall submit such outline development plan to PetroVietnam or other competent authority for its consideration, subject to any amendments it may wish to make and adoption within 60 days of submission of the plan or 60 days following submission of an amended plan (if it so requests), as the case may be.

Within 12 months, or such other period as agreed by PetroVietnam, from the date of final approval of the outline development plan, the 125/126 Contractor Parties shall submit a development plan on the basis of the selected development option under the approved outline development plan which shall be reviewed and, subject to any amendments it may wish to make, adopted by the 125/126 Management Committee within 30 days of submission of the plan or 30 days following submission of an amended plan (if it so requests), as the case may be. Within 10 days of such adoption, the 125/126 Contractor Parties shall submit such development plan to PetroVietnam for its consideration. Subject to any amendments it may wish to make, PetroVietnam and the 125/126 Contractor Parties shall endeavour to finalise within six months the development plan and then submit it to the Prime Minister of Vietnam for consideration and final approval.

The 125/126 Contractor Parties shall be under an obligation to submit a yearly work programme and budget to the 125/126 Management Committee. The 125/126 Contractor Parties shall submit 60 days prior to the first commercial production and on each subsequent year to the 125/126 Management Committee for adoption and to PetroVietnam for approval, an annual production schedule based on the forecast production envisaged in the approved development plan and updated information.

#### Production sharing and recovery of costs

All oil and gas remaining after usage in petroleum operations is referred to respectively as “**125/126 Net Oil Production**” and “**125/126 Net Gas Production**” (together, “**125/126 Net Petroleum Production**”) under the 125/126 PSC and is allocated as set out below.

The first allocations to be made from 125/126 Net Oil Production or 125/126 Net Gas Production are those required to satisfy each 125/126 Contractor Party’s royalty obligations to the Vietnamese Government, which are required for all 125/126 Net Oil Production or 125/126 Net Gas Production in each taxable period, payable in cash based on the average daily rate of 125/126 Net Oil Production or 125/126 Net Gas Production per actual production day, unless the Vietnamese Government, by three months written notice, elects to lift or offtake and take in kind its royalty rate of production which is estimated to be available for lifting or to offtake during the calendar year based on the approved production schedule of that year.

<i>125/126 Net Oil Production (bbls/Day)</i>	<i>Royalty Rate</i>
Up to 20,000	7 per cent. of 125/126 Net Oil Production
20,001 to 50,000	9 per cent. of 125/126 Net Oil Production
50,001 to 75,000	11 per cent. of 125/126 Net Oil Production
75,001 to 100,000	13 per cent. of 125/126 Net Oil Production
100,001 to 150,000	18 per cent. of 125/126 Net Oil Production
Over 150,000	23 per cent. of 125/126 Net Oil Production

<i>125/126 Net Gas Production (m3/Day)</i>	<i>Royalty Rate</i>
Up to 5,000,000	1 per cent. of 125/126 Net Gas Production
5,000,001 to 10,000,000	3 per cent. of 125/126 Net Gas Production
Over 10,000,000	6 per cent. of 125/126 Net Gas Production

The second allocations to be made from 125/126 Net Oil Production or 125/126 Net Gas Production are those required to reimburse the 125/126 Contractor Parties for their cost recovery entitlements:

- (a) Up to 70 per cent. of 125/126 Net Oil Production is allocated to the 125/126 Contractor Parties for the recovery of all 125/126 Petroleum Operations Costs ("**125/126 Cost Recovery Oil**"). Costs incurred in the course of conducting exploration, development, production and abandonment operations in the Blocks ("**125/126 Petroleum Operations Costs**") are recovered from the applicable 125/126 Cost Recovery Oil on a first in, first out basis. To the extent that in any quarter outstanding 125/126 Petroleum Operations Costs related to the Blocks exceed the value of all 125/126 Cost Recovery Oil for such quarter, the excess shall be carried forward for recovery in the next succeeding quarter until fully recovered.
- (b) Up to 70 per cent. of 125/126 Net Gas Production is allocated to the 125/126 Contractor Parties for the recovery of all 125/126 Petroleum Operations Costs ("**125/126 Cost Recovery Gas**").

125/126 Petroleum Operations Costs are recovered from the applicable 125/126 Cost Recovery Gas on a first in, first out basis on the same terms as described in (a) above. To the extent that in any quarter outstanding 125/126 Petroleum Operations Costs related to the Block exceed the value of all 125/126 Cost Recovery Gas for such quarter, the excess shall be carried forward for recovery in the next succeeding quarter until fully recovered.

After the allocations have been made for royalties, 125/126 Cost Recovery Oil or 125/126 Cost Recovery Gas, as applicable, the remainder of 125/126 Net Oil Production or 125/126 Net Gas Production, as the case may be, shall be allocated to "125/126 Profit Oil" or "125/126 Profit Gas". Under the 125/126 PSC, 125/126 Profit Oil and 125/126 Profit Gas for any quarter shall be shared as set forth below.

The respective splits for 125/126 Profit Oil:

<i>Production level (bbls/Day)</i>	<i>125/126 Contractor Parties</i>	<i>Petrovietnam</i>
Up to 20,000	80 per cent.	20 per cent.
20,001 to 50,000	78 per cent.	22 per cent.
50,001 to 75,000	74 per cent.	26 per cent.
75,001 to 100,000	65 per cent.	35 per cent.
100,001 to 150,000	53 per cent.	47 per cent.
Over 150,000	48 per cent.	52 per cent.

The respective splits for 125/126 Profit Gas:

<i>Production level (m<sup>3</sup>/Day)</i>	<i>125/126 Contractor Parties</i>	<i>Petrovietnam</i>
Up to 5,000,000	85 per cent.	15 per cent.
5,000,001 to 10,000,000	70 per cent.	30 per cent.
Over 10,000,000	60 per cent.	40 per cent.

Each 125/126 Contractor Party is subject to Vietnamese tax laws, and is, in particular, liable for corporate income tax payable at a rate of 32. per cent. of its net taxable income calculated in accordance with applicable law. Each 125/126 Contractor Party shall be liable for an export tax of 10 per cent., on the net crude oil lifted and exported by it outside Vietnam, except for crude oil used for royalty obligations. Each 125/126 Contractor Party shall pay value added tax, the tax/fee for environmental protection and windfall tax (as applicable) and in accordance with the laws of Vietnam then in force.

#### Bonuses

The 125/126 PSC provides that the 125/126 Contractor Parties shall pay to PetroVietnam certain bonuses (which shall not be recoverable as 125/126 Petroleum Operations Costs or deductible from corporate income tax) in a number of specified circumstances which include: (i) the payment of a signature bonus of US\$0.5 million within 30 days of the 125/126 Effective Date; (ii) the payment of US\$0.5 million within 30 days of the declaration by the 125/126 Contractor Parties of the first 125/126 Commercial Discovery; (iii) the payment of US\$1 million within thirty days after the first day following the thirtieth day of petroleum produced in the area subject to the 125/126 PSC; and (iv) the payment within 30 days after the daily average production first reaches the following average levels of oil and/or gas production for a period of thirty consecutive days:

For oil:

<i>Daily average of 125/126 Net Oil Production per quarter (bbls/Day)</i>	<i>Bonus</i>
Over 20,000	US\$1 million
Over 50,000	US\$2 million
Over 75,000	US\$3 million
Over 100,000	US\$4 million
Over 150,000	US\$5 million

For gas:

<i>Daily average of 125/126 Net Gas Production per quarter (m<sup>3</sup>/Day)</i>	<i>Bonus</i>
Over 5,000,000	US\$0.5 million
Over 10,000,000	US\$1 million
Over 15,000,000	US\$2 million

#### Ownership of assets

The 125/126 PSC provides that physical assets purchased by the 125/126 Contractor Parties for the carrying out of petroleum operations under the 125/126 PSC and for which cost recovery is allowable, and claimed as 125/126 Petroleum Operations Costs, shall become the property of PetroVietnam on the date on which the costs of such assets has been fully recovered or upon termination of the 125/126 PSC, whichever occurs first. The 125/126 Contract Parties shall have the right to use such assets free of charge so long as they are needed for petroleum operations under the 125/126 PSC. The 125/126 Contractor Parties shall be liable for the abandonment and decommissioning of operations and equipment in accordance with an abandonment work programme and budget approved by the 125/126 Management Committee.

#### Supply of Vietnamese market

The 125/126 PSC stipulates that oil produced under the 125/126 PSC must be prioritised for sale on the Vietnamese market on the basis of an approved annual production schedule (following consultation between the 125/126 Contractor Parties and PetroVietnam). The 125/126 Contractor Parties must also, if so requested by the Vietnamese Government, sell a portion of the natural gas to which they are entitled under the 125/126 PSC on the Vietnamese market.

It is further stipulated that, at the request of the Vietnamese Government, in emergency cases, PetroVietnam may require the 125/126 Contractor Parties with 30 days written notice to sell an amount of oil (to which the 125/126 Contractor Parties are entitled under the 125/126 PSC) which is greater than the amount previously agreed with PetroVietnam.

If the 125/126 Contractor Parties supply oil for domestic consumption, the price paid shall be calculated on the basis of the international competitive price as calculated in accordance with the valuation provisions in the 125/126 PSC.

#### Assignment and change of control

The 125/126 PSC grants each 125/126 Contractor Party the right to sell, assign, convey or otherwise dispose of all or any part of its rights, interests and obligations under the 125/126 PSC to any of its affiliates upon written notice to PetroVietnam, conditional upon receipt of approval from the Prime Minister of Vietnam and subject to the pre-emption rights of PetroVietnam under Vietnamese law, and, subsequently, of the other 125/126 Contractor Parties under the joint operating agreement governing their relationship.

The 125/126 PSC sets out certain requirements that the potential assignee must meet, these include adequate technical and financial capabilities and the provision of parent company or bank guarantees if required by PetroVietnam.

The 125/126 PSC provides that a change of ownership structure or change of control of a 125/126 Contractor Party (excluding internal restructurings, a financial restructuring or a consolidation by the parent company) shall be deemed to constitute an assignment under the terms of the 125/126 PSC.

#### Default

Where either of the 125/126 Contractor Parties or PetroVietnam is in material breach of any of its obligations under this Contract (a “**125/126 Defaulting Party**”), the other party (the “**125/126 Non-Defaulting Party**”) may give a notice to the 125/126 Defaulting Party requiring it to remedy such breach. If it fails to remedy such breach or to commence and diligently pursue the remediation of such breach within 30 days of the date on which the notice is delivered to it, the 125/126 Non-Defaulting Party may, at any time after the expiration of such 30 day period, terminate the 125/126 PSC by serving a notice of termination on the 125/126 Defaulting Party.

The 125/126 PSC provides that a material breach shall be deemed to exist when a party has:

- (a) failed to make a payment in accordance with the terms of the 125/126 PSC within 30 days of the due date of such payment; or
- (b) failed to implement or comply with the 125/126 PSC where: (i) such failure or omission has a material impact on the implementation or economic or commercial objectives of the 125/126 PSC; and (ii) such failure or omission continues to not be remedied within 30 days of receipt of a notice from the 125/126 non-Defaulting Party (save if it is not practicable to remedy such breach within a 30 day period and the Defaulting Party has promptly commences to remedy such breach diligently and such remedy is completed within 90 days of such notice).

If a dispute arises between either of the parties as to whether either of them is in material breach of any of its obligations under the 125/126 PSC or whether either a party is entitled to terminate the 125/126 PSC, either party may require that the dispute be submitted for arbitration in accordance with the terms of the 125/126 PSC (as described further below).

#### Termination

The 125/126 PSC provides that if there are circumstances that do not warrant continuation of petroleum operations, the 125/126 Contractor Parties may, after consultation with PetroVietnam, give 90 days prior notice to PetroVietnam of their intention to relinquish their rights and be relieved of their obligations thereunder, save for any rights and outstanding obligations that may have accrued and any other rights and obligations expressed as continuing thereunder.

The 125/126 PSC stipulates a number of circumstances in which PetroVietnam may terminate the 125/126 PSC, without compensation for any losses that may arise, by giving 90 days prior written notice to the 125/126 Contractor Parties. These include: (i) the

125/126 Contractor Parties failing to commence development operations pursuant to an approved development plan for a consecutive 12 months period from the date of approval of such development plan or ceasing development operations for a consecutive six month period, except in certain specified circumstances; (ii) the 125/126 Contractor Parties failing to put the field into production within 12 months from a tentative production date described in an approved schedule or ceasing production operations for a consecutive three month period, except in certain specified circumstances; (iii) a 125/126 Contractor Party becoming bankrupt, insolvent or being dissolved, provided that in such circumstances PetroVietnam's termination notice would only be effective if the remaining 125/126 Contractor Parties are unable to assume the rights and obligations of that party and so notify PetroVietnam within the aforementioned 90 days period; or (iv) all 125/126 Contractor Parties become bankrupt, insolvent or are dissolved.

#### Governing law and arbitration

The 125/126 PSC stipulates that it shall be interpreted and governed by the laws of Vietnam provided that, in the absence of a specific Vietnamese law or regulation governing any particular matter that may be raised, relevant provisions of the laws of England and/or Generally Accepted International Petroleum Industry Practices shall apply (to the extent that neither of these are contrary to fundamental principles of Vietnamese law). The 125/126 PSC provides that differences or disputes between the parties thereto, which cannot be settled through amicable negotiations within a period of 90 days, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Singapore International Arbitration Centre and the place of arbitration shall be Singapore.

#### (g) *Block 125/126 JOA*

On 12 December 2017, SEVL and SOVICO entered into a joint operating agreement (the "**Block 125/126 JOA**") to provide for terms and conditions to govern their relations in relation to Blocks 125 and 126 in Vietnam. The current parties and their interests in the Block 125/126 JOA are: SEVL, 70 per cent.; and SOVICO, 30 per cent.

The Block 125/126 JOA established an operating committee (the "**Block 125/126 Operating Committee**") whose decisions shall be binding upon the parties thereto. Until the valid first declaration of a commercial discovery, SOVICO shall not exercise its voting rights unless directed otherwise by SEVL. After the first declaration of a commercial discovery, decisions shall be taken unanimously in relation to development plans, unitisation with an adjoining contract title area, voluntary surrender of all, or parts of Blocks 125 and 126 and any amendment or termination of the Block 125/126 JOA or the Block 125/126 PSC.

Each Block 125/126 Contractor Party shall be represented on the Block 125/126 Management Committee by one appointed representative.

The Block 125/126 JOA appointed SEVL as the operator of Blocks 125 and 126 (the "**Block 125/126 Operator**") and provides it, in accordance with approved programmes and budgets and subject to instructions by the Block 125/126 Operating Committee, with the exclusive right to operate, or supervise the operation of, oil-related work under the Block 125/126 PSC. It further provides that the Block 125/126 Operator's liability shall be solely limited to losses and damage arising from its gross or wilful misconduct, as set out in international standards and practices in the oil industry and in accordance with applicable Vietnamese regulations.

The Block 125/126 JOA is governed by and to be construed under English law and internationally accepted common practices. Any dispute arising from the execution or interpretation of the Block 125/126 JOA shall be finally determined in accordance with the Rules of Arbitration of the International Chamber of Commerce of London, England.

Costs and charges in respect of oil-related work, including all costs and charges born for the purchase of all materials and equipment bought in the interest of the Block 125/126 Contractor Parties, shall be borne by the Block 125/126 Contractor Parties in proportion to their respective interests. The ownership of all materials and equipment shall, subject to

the terms of Block 125/126 PSC, be jointly shared by the Block 125/126 Contractor Parties in proportion to their respective interests.

The Block 125/126 JOA provides that each of the Block 125/126 Contractor Parties may assign their participating interest to the non-withdrawing party. The Block 125/126 JOA provides a pre-emption right to the Vietnam Oil and Gas Group or PetroVietnam in the event of a sale, assignment, novation, encumbrance or other disposition by one of the Block 125/126 Contractor Parties.

(h) *El Fayum Concession*

General

The El Fayum Concession or, more fully, the El Fayum Area Western Desert Petroleum Exploration and Exploitation Concession Agreement between the ARE, EGPC and Pharos El Fayum (as the sole Contractor Party) was entered into on 15 July 2004 (following the enactment of the concession agreement terms into law pursuant to Egyptian Law no. 147 of 2004). The Concession was subsequently amended by an initial amendment agreement entered into on 16 September 2010 (under pursuant to Egyptian Law no. 132 of 2010) and further amended by an additional amendment agreement entered into on 22 August 2017 (under pursuant to Egyptian Law no. 201 of 2017). Under the El Fayum Concession (i) the ARE has granted Pharos El Fayum and EGPC exclusive rights to explore for and develop oil and gas in the El Fayum Concession area; and (ii) Pharos El Fayum agrees to bear all costs and expenses required in carrying out operations under the El Fayum Concession (subject to a deferred right to recover such costs in accordance with the terms of the El Fayum Concession).

The governing law of the El Fayum Concession is the law of Egypt with any dispute involving the ARE subject to the jurisdiction of the ARE courts, and any dispute between EGPC and Pharos El Fayum subject to settlement by arbitration in Cairo in accordance with the Arbitration Rules of the Cairo Regional Centre for International Commercial Arbitration.

Term

The exploration period granted to Pharos El Fayum and EGPC under the El Fayum Concession for the remaining exploration area (being the original Concession Area which has not been relinquished or is currently subject to a valid Development Lease) ended on 15 November 2020 although, if the Third Concession Amendment is signed, the exploration period will be extended for a further period to take effect from 16 November 2020 (notwithstanding the date of the Third Concession Amendment) to 15 May 2024. Further details of the proposed terms of the Third Concession Amendment are set out in paragraph (i) below. The development period for each Development Lease is 20 years from the date of the Minister's approval of the Development Lease.

The development period for each Development Lease may be extended by five years if Pharos El Fayum provides a written request to EGPC six months prior to the end of the relevant initial 20 year development period. The extension is subject to the approval of EGPC and the Minister.

The El Fayum Concession includes termination rights in favour of the ARE, including for material breach, submission of false statements, transfer contrary to agreed restrictions, bankruptcy and non-compliance with a final decision under the dispute provisions.

Cost Recovery and Excess Costs

Under the El Fayum Concession 30% of the gross revenues are available to the Contractor for the recovery of expenditures (the "**EF Cost Recovery Limit**"), with operating expenditure recoverable as incurred and capital expenditure amortised for recovery over 4 years. If the costs eligible for recovery in any quarter are higher than the EF Cost Recovery Limit, the unrecovered costs can be carried forward to the next period. If the costs eligible for recovery in any quarter are less than the EF Cost Recovery Limit (with the difference referred to as the "**Excess Costs**"), the remaining revenues are split between Contractor and EGPC on a 15:85 basis.

#### Profit Oil and Gas/LPG Split

Under the El Fayum Concession, the remaining 70% of the gross revenues is split as follows:

#### Crude Oil/Condensate:

<i>Production level (bbls/Day, quarterly average)</i>	<i>El Fayum Contractor Party</i>	<i>EGPC</i>
Up to 5,000	18 per cent.	82 per cent.
5,001 to 10,000	17 per cent.	83 per cent.
10,001 to 25,000	15 per cent.	85 per cent.
25,001 to 50,000	14 per cent.	86 per cent.
50,001 to 100,000	13 per cent.	87 per cent.
Over 100,000	12 per cent.	88 per cent.

#### Gas and LPG:

<i>Production level (scf/Day, quarterly average)</i>	<i>El Fayum Contractor Party</i>	<i>EGPC</i>
< 25,000,000	15 per cent.	85 per cent.
25,000,000 to <50,000,000	14 per cent.	86 per cent.
50,000,000 to <125,000,000	13 per cent.	87 per cent.
125,000,000 to <250,000,000	12 per cent.	88 per cent.
250,000,000 to <500,000,000	11 per cent.	89 per cent.
500,000,000 and above	10 per cent.	90 per cent.

Royalties and Egyptian income taxes are paid by EGPC on behalf of the Contractor Party from EGPC's share of revenues.

#### Bonuses

The El Fayum Concession provides that the Contractor Parties shall pay to EGPC certain bonuses in a number of specified circumstances. These include:

- a bonus of US\$150,000 per each 1' x 1' development block within a Development Lease on the award of that Development Lease;
- a bonus of US\$5 million on the approval of an application by Contractor to extend a Development Lease for an additional five years;
- an annual training bonus of US\$100,000;
- a bonus of US\$0.5 million on the approval of any assignment of part or all of a Contractor Party's interest to an affiliate;
- an assignment bonus of 10% of the value of the transaction (whether cash or non-cash); on the approval of an assignment of part or all of a Contractor Party's interest to a third party: and
- the following bonuses payable when the daily average production first reaches the following average levels of oil and/or gas production for a period of 30 consecutive producing days:

<i>Average El Fayum boepd for 30 consecutive days</i>	<i>Bonus</i>
Over 25,000	US\$2 million
Over 50,000	US\$3 million
Over 100,000	US\$5 million

As at the Latest Practicable Date, none of the production bonus thresholds set out in the table above have been achieved.

#### Relinquishment

In the event that there is no regular production of crude oil from a Development Lease within four years of the Development Lease approval date, the Contractor is deemed to have automatically assigned all of its rights in respect of the area covered by the Development Lease back to EGPC. The same applies to individual blocks within a Development Lease; if there is no commercial production of oil within four years of the commencement of commercial production in the relevant Development Lease, the relevant block is deemed to be relinquished and returned to EGPC.

EGPC further has a right to carry out a periodic review of each Development Lease every four years for the purposes of auditing the areas which should be subject to relinquishment.

#### Change of control, assignment and pre-emption

Pharos El Fayum may not assign any of its rights, duties or obligations under the El Fayum Concession whether directly or indirectly without the prior written consent of the Egyptian Government. The Transaction will involve an assignment of the El Fayum interest by Pharos El Fayum to IPR Lake Qarun and, under the assignment provisions in the El Fayum Concession:

- EGPC has a right of pre-emption under the El Fayum Concession and may elect to acquire an assigned interest on the same terms if it notifies the assignor of such election within 90 days of written notice from the assignor of the final terms (including value) of an assignment; and
- Pharos El Fayum, as the assignor, will be required to pay a non-recoverable Assignment Bonus to EGPC in an amount equal to ten per cent of the proposed transaction value upon EGPC's approval of the assignment.

The Parties are currently engaging with EGPC, for itself, and on behalf of the Egyptian Government, for the purposes of, among other things, determining the amount of the Assignment Bonus due under the El Fayum Concession in connection with the El Fayum FOA. It is a condition to Completion under the El Fayum FOA that EGPC and/or the Minister (as applicable) approve or consent in writing to the Transaction, to the extent such approval or consent (as applicable) is required under the laws of Egypt or the El Fayum Concession. The waiver, or non-exercise, in accordance with the terms of the El Fayum Concession of the pre-emption rights of EGPC is also a condition to Completion under the El Fayum FOA. For further information on the Conditions, please refer to paragraph 1.2 of Part III (*Principal Terms of the Transaction*). Pursuant to the El Fayum FOA, the parties have agreed that Pharos El Fayum shall initially pay any Assignment Bonus due and payable in respect of the El Fayum FOA, with IPR Lake Qarun agreeing to reimburse Pharos El Fayum in cash at completion for the full amount of the Assignment Bonus. If the amount of the Assignment Bonus exceeds US\$1 million, the excess will be deducted from the El Fayum Carried Costs.

#### Offtake provisions, local procurement and sales obligations

EGPC has a right to purchase a percentage share of the Contractor's production sharing petroleum to satisfy the requirement of the Egyptian market. This percentage share can vary and is calculated by dividing (i) the total amount of crude oil production from the El Fayum Concession area by (ii) the total crude oil production (from all production companies) in all of the concession areas in Egypt in which EGPC has a preferential right to purchase a share of production. In practice, EGPC has customarily purchased both the cost recovery petroleum and the production sharing petroleum from most concession areas in Egypt, including from the El Fayum Concession.

Pursuant to a Crude Oil Pricing Letter issued by EGPC on 23 March 2017, EGPC has set a purchase price based on the average price of mixed oil in the Western Desert officially announced by EGPC for the shipment month minus US\$3.00/barrel effective 1st April 2017. Pursuant to a letter dated 11 May 2017, EGPC notified Pharos El Fayum that it is

willing to facilitate the direct export by Pharos El Fayum of oil shipments above a production level of 7250 barrels per day.

#### Development Leases

A summary of the current 10 Development Leases on the El Fayum Concession and their anticipated next review dates, together with ultimate expiry dates, is set out in the table below:

<i>Development Lease</i>	<i>Area (km<sup>2</sup>)</i>	<i>Date of Issue</i>	<i>Next Review Date</i>	<i>Expiry date (before any extension)</i>
Silah	60	6-May-09	Jan-25	May-29
N Silah	18	2-Jun-10	TBD*	Jun-30
N Silah Deep	27	2-Jun-10	TBD*	Jun-30
Dawar	15	2-Jun-10	Dec-24	Jun-30
SE Gindi	9	15-Dec-10	Jun-22	Dec-30
Tersa	70	16-Dec-09	Nov-21	Dec-29
Ain Assillen	21	10-Aug-10	Dec-24	Aug-30
W Auberge	12	15-Dec-10	Jun-22	Dec-30
Ward	15	15-Dec-10	Dec-24	Dec-30
Saad	9	31-Dec-12	Dec-24	Dec-32

\* Next review date to be determined following conclusion of negotiations on Third Concession Amendment (see below)

#### (i) *Third Concession Amendment*

The Third Concession Amendment, proposing to further amend the terms of the El Fayum Concession, has not been signed but, as stated in the Company's announcement of 30 March 2021 and its subsequent trading and operational update published on 14 July 2021, it has been approved provisionally by EGPC. In addition, and as announced by the Company on 1 November 2021, the Third Concession Amendment has been approved by the Cabinet of Egypt. It remains subject to ratification by the Parliament, approval by the Egyptian President, and signature by the parties. Signature of the Third Concession Amendment is a Condition to Completion.

If the Third Concession Amendment is signed, the changes made to the El Fayum Concession under the Third Concession Agreement are expected to apply retrospectively from 16 November 2020 (the "**Amendment Effective Date**"), the day immediately following the final day of the previous exploration period under the El Fayum Concession. The Contractor will also be required to pay a signature bonus of US\$1 million to EGPC in relation to the Third Concession Amendment. The key terms of the Third Concession Amendment provisionally approved by EGPC and subsequently approved by the Cabinet of Egypt are as follows:

- the exploration period under the El Fayum Concession will be extended for a period of three and a half years, from the Amendment Effective Date to 15 May 2024;
- the area covered by the new exploration period will include areas previously covered by Development Leases that have since been relinquished, estimated to be 122km<sup>2</sup> in total;
- the new minimum work commitment connected to the extension of the exploration period will comprise two new exploration wells and 400km<sup>2</sup> of 3D seismic in the northern area of the El Fayum Concession, with minimum expenditure set at US\$6 million, such work commitment to be supported by a guarantee supplied by Pharos El Fayum;
- in addition, the previously outstanding minimum work commitment of four exploration wells (with corresponding minimum expenditure of US\$8.4 million) will be carried over to the newly extended exploration period;

- the share of Excess Costs between the Contractor and EGPC will be adjusted from 15% Contractor:85% EGPC to 7.5% Contractor:92.5% EGPC;
- the EF Cost Recovery Limit will be adjusted from 30% of gross revenue to 40% of gross revenue;
- the Contractor will waive a total of US\$115 million from the carry forward balance of the cost recovery pool under the El Fayum Concession; and
- the Contractor will agree to pay to EGPC an annual training bonus of US\$100,000 both during and after the exploration period (as extended).

(j) *North Beni Suef Concession*

General

The North Beni Suef Concession or, more fully, the North Beni Suef Area Nile Valley Petroleum Exploration and Exploitation Concession Agreement between the ARE, EGPC and Pharos El Fayum was entered into on 24 December 2019 (following the enactment of the concession agreement terms into law pursuant to Egyptian Law no. 160 of 2019). Under the North Beni Suef Concession (i) the ARE has granted Pharos El Fayum and EGPC exclusive rights to explore for and develop oil and gas in the North Beni Concession area; and (ii) Pharos El Fayum agrees to bear all costs and expenses required in carrying out operations under the North Beni Suef Concession (subject to a deferred right to recover such costs in accordance with the terms of the North Beni Suef Concession).

The governing law of the North Beni Suef Concession is the law of Egypt with any dispute involving the ARE subject to the jurisdiction of the ARE courts, and any dispute between EGPC and Pharos El Fayum subject to settlement by arbitration in Cairo in accordance with the Arbitration Rules of the Cairo Regional Centre for International Commercial Arbitration.

Term

The North Beni Suef Concession is currently in its initial exploration period of three years, commencing on the date of signature of the Concession. The Contractor may seek two successive extensions to the exploration period of two years each on prior written notice to EGPC, subject to the Contractor having fulfilled its minimum work obligations for the preceding period (see "*Minimum Work Programme Obligations during Exploration Period*" below). Accordingly the exploration period could, if both two year extensions are sought and granted, extend to 7 years in total.

In the event of a commercial oil discovery or a commercial gas discovery on the North Beni Suef Concession, and the subsequent award of a Development Lease in connection with such a discovery, the development period for the Development Lease is 20 years from the date of the Minister's approval of the Development Lease. The development period for each Development Lease may be extended by five years if Pharos El Fayum provides a written request to EGPC six months prior to the end of the initial 20 year development period. Any extension is subject to the approval of EGPC and the Minister. The maximum term of a Development Lease is accordingly 25 years from the date of the Minister's approval of the Development Lease. In the event gas or crude oil are subsequently discovered in a Development Lease initially granted on a commercial oil discovery or a commercial gas discovery, respectively, Pharos El Fayum will have the right to exploit and produce such gas or crude oil (as the case may be) for a period of 20 years (with a possible five-year extension) as long as the total duration of the Development Lease does not exceed 30 years.

The North Beni Concession includes termination rights in favour of the ARE, including for material breach, submission of false statements, transfer contrary to agreed restrictions, bankruptcy and non-compliance with a final decision under the dispute provisions. The Concession will also terminate in the absence of a commercial oil discovery or a commercial gas discovery before the end of the exploration period (including any extensions to the exploration period).

### Minimum Work Programme Obligations during Exploration Period

The North Beni Suef Concession provides for the following minimum work programme obligations in respect of the initial exploration period and, if applicable, the two year extensions to the exploration period:

<i>Exploration Period</i>	<i>Minimum Work Programme Obligation*</i>	<i>Minimum expenditure obligation*</i>
Initial 3 years	2 exploration wells and seismic acquisition	US\$12 million
2 year first extension	3 wells	US\$12 million
2 year second extension	3 wells	US\$12 million

\* If the Contractor spends more than the minimum expenditure obligation in any part of the exploration period, or drills more wells than required under the minimum work programme obligations, the excess may be deducted from the minimum expenditure obligation in the next part of the exploration period or, as the case may be, from the minimum number of wells required under the minimum work programme obligation.

### Cost Recovery and Excess Costs

Under the North Beni Suef Concession 30% of the gross revenues are available to the Contractor for the recovery of expenditures (the “**NBS Cost Recovery Limit**”), with operating expenditure recoverable as incurred and capital expenditure amortised for recovery over 4 years. If the costs eligible for recovery in any quarter are higher than the NBS Cost Recovery Limit, the unrecovered costs can be carried forward to the next period. If the costs eligible for recovery in any quarter are less than the NBS Cost Recovery Limit, the remaining revenues are split between Contractor and EGPC on a 15:85 basis.

### Profit Oil and Gas/LPG Split

Under the North Beni Suef Concession, the remaining 70% of the gross revenues is split based on both quarterly average production and the Brent oil price (as defined in the North Beni Suef Concession) as follows:

<i>Production level (bbls/Day, quarterly average)</i>	<i>North Beni Suef Contractor Party</i>	<i>EGPC</i>
<b>Brent oil price &lt;= US\$60/bbl</b>		
Up to 5,000	22.5 per cent.	77.5 per cent.
5,001 to 10,000	22 per cent.	78 per cent.
10,001 to 15,000	21.5 per cent.	78.5 per cent.
15,001 to 25,000	19.5 per cent.	80.5 per cent.
Over 25,000	17.5 per cent.	82.5 per cent.
<b>Brent oil price &gt;US\$60/bbl and &lt;=US\$80/bbl</b>		
Up to 5,000	22 per cent.	78 per cent.
5,001 to 10,000	21.5 per cent.	78.5 per cent.
10,001 to 15,000	21 per cent.	79 per cent.
15,001 to 25,000	19 per cent.	81 per cent.
Over 25,000	17 per cent.	83 per cent.
<b>Brent oil price &gt;US\$80/bbl and &lt;=US\$100/bbl</b>		
Up to 5,000	20.5 per cent.	79.5 per cent.
5,001 to 10,000	20 per cent.	80 per cent.
10,001 to 15,000	20 per cent.	80 per cent.
15,001 to 25,000	17.5 per cent.	82.5 per cent.
Over 25,000	16 per cent.	84 per cent.
<b>Brent oil price &gt;US\$100/bbl</b>		
Up to 5,000	19.5 per cent.	80.5 per cent.
5,001 to 10,000	19 per cent.	81 per cent.
10,001 to 15,000	19 per cent.	81 per cent.
15,001 to 25,000	17 per cent.	83 per cent.
Over 25,000	15 per cent.	85 per cent.

and gas and LPG production under the North Beni Suef Concession is split 79% EGPC and 21% Contractor regardless of production volumes or gas prices.

Royalties and Egyptian income taxes are paid by EGPC on behalf of the Contractor Party from EGPC's share of revenues.

#### Bonuses

The North Beni Suef Concession provides that the Contractor shall pay to EGPC certain bonuses in a number of specified circumstances. These include:

- a signature bonus of US\$2.3 million, which has been paid by Pharos El Fayum;
- a bonus of US\$1 million payable where the Contractor seeks to retain acreage that would otherwise be relinquished;
- a bonus of US\$100,000 per each 1' x 1' development block on the award of each Development Lease;
- a bonus of US\$5 million on the approval of an application by Contractor to extend a Development Lease for an additional five years;
- an annual training bonus of US\$100,000;
- a bonus of US\$200,000 on the approval of any assignment of part or all of a Contractor Party's interest to an affiliate;
- one or more of the following bonuses on the approval of any assignment of part or all of a Contractor Party's interest to a third party:
  - (i) During the exploration period (as extended): 10% of the financial commitment of that period (multiplied by the percentage being assigned);
  - (ii) If at least one Development Lease has been granted: 10% of the value of the transaction (whether cash or non-cash);
  - (iii) If the Concession is still in the exploration period (as extended) and at least one Development Lease has been awarded, a bonus representing the sum of (i) and (ii) above; and
- the following bonuses payable when the daily average production first reaches the following average levels of oil and/or gas production for a period of 30 consecutive producing days:

<i>Average North Beni Suef boepd for 30 consecutive days</i>	<i>Bonus</i>
3,000	US\$0.1 million
5,000	US\$0.2 million
10,000	US\$0.5 million
15,000	US\$1 million
25,000	US\$3 million

As the North Beni Suef Concession is in the initial exploration period, none of the production bonus thresholds set out in the table above have been achieved.

#### Relinquishment

During the exploration period of the North Beni Suef Concession, there are mandatory relinquishment obligations on the Contractor. After the end of the initial exploration period of three years, the Contractor is required to relinquish 25% of the original Concession area not already converted to a Development Lease provided that the Contractor may seek to retain part or all of the area (a "**Retained Relinquishment Area**") it would otherwise relinquish subject to committing to a further work programme, including at least one well, on that area within the next two year exploration period. At the end of the first two year extension to the exploration period, the Contractor is required to relinquish 25% of the original Concession area not already converted to a Development Lease, in addition to any

Retained Relinquishment Area not converted to a Development Lease. At the end of the second two year extension to the exploration period, the Contractor is required to relinquish all remaining areas not converted to Development Leases, subject to the Contractor being permitted up to 6 months to establish a commercial oil or gas discovery if drilling commenced before the expiry of the exploration period.

Following the award of a Development Lease, and in the event that there is no regular production of crude oil from a Development Lease within four years of the Development Lease approval date, the Contractor is deemed to have automatically assigned all of its rights in respect of the area covered by the Development Lease back to EGPC. The same applies to individual blocks within a Development Lease; if there is no commercial production of oil within four years of the commencement of commercial production in the relevant Development Lease, the relevant block is deemed to be relinquished and returned to EGPC. EGPC further has a right to carry out a periodic review of each Development Lease every four years for the purposes of auditing the areas which should be subject to relinquishment.

#### Change of control, assignment and pre-emption

A Contractor Party may not assign any of its rights, duties or obligations under the North Beni Suef Concession whether directly or indirectly without the prior written consent of the Egyptian Government. The Transaction will involve an assignment of the North Beni Suef Sale Interest by Pharos El Fayum to IPR Lake Qarun and, under the assignment provisions in the North Beni Suef Concession:

- EGPC has a right of pre-emption right under the North Beni Suef Concession and may elect to acquire an assigned interest on the same terms if it notifies the assignor of such election within 90 days of written notice from the assignor of the final terms (including value) of an assignment; and
- Pharos El Fayum, as the assignor, will be required to pay a non-recoverable Assignment Bonus to EGPC, anticipated to be an amount equal to ten per cent of the US\$12 million minimum expenditure commitment for the initial exploration period multiplied by the working interest being assigned (i.e., 55 per cent), namely US\$0.66 million.

The Parties are currently engaging with EGPC, for itself, and on behalf of the Egyptian Government, for the purposes of, among other things, confirming the amount of the Assignment Bonus due under the North Beni Suef Concession in connection with the North Beni Suef FOA. It is a condition to Completion under the North Beni Suef FOA that EGPC and/or the Minister (as applicable) approve or consent in writing to the Transaction, to the extent such approval or consent (as applicable) is required under the laws of Egypt or the North Beni Suef Concession. The waiver, or non-exercise, in accordance with the terms of the North Beni Suef Concession of the pre-emption rights of EGPC is also a condition to Completion under the North Beni Suef FOA. For further information on the Conditions, please refer to paragraph 3.2 of Part III (*Principal Terms of the Transaction*). Pursuant to the North Beni Suef FOA, the parties have agreed that Pharos El Fayum shall initially pay any Assignment Bonus due and payable in respect of the North Beni Suef FOA, with IPR Lake Qarun agreeing to reimburse Pharos El Fayum in cash at completion for the full amount of the Assignment Bonus.

#### Offtake provisions, local procurement and sales obligations

EGPC has a right to purchase a percentage share of the Contractor's production sharing petroleum to satisfy the requirement of the Egyptian market. This percentage share can vary and is calculated by dividing (i) the total amount of crude oil production from the North Beni Suef Concession area by (ii) the total crude oil production (from all production companies) in all of the concession areas in Egypt in which EGPC has a preferential right to purchase a share of production. In practice, EGPC has customarily purchased both the cost recovery petroleum and the production sharing petroleum from most concession areas in Egypt. As at the Latest Practicable Date, this is the case for the El Fayum Concession and may also apply to the North Beni Suef Concession if and when it achieves commercial production.

## Development Leases

There are no current Development Leases on the North Beni Suef Concession.

### (k) *Stratton ORRI Letter Agreement*

Under the terms of a letter agreement dated 17 May 2005, Pharos El Fayum (then named Merlon Petroleum El Fayum Company) and Merlon Inc., formerly an affiliated company of Pharos El Fayum, granted Stratton Corporation an overriding royalty interest in the El Fayum Concession in payment for services rendered in obtaining the El Fayum Concession. Such overriding interest is equal to 3 per cent of petroleum saved and sold from the Concession Area as excess cost recovery petroleum (excess of petroleum allocated towards cost recovery compared to actual costs incurred and recoverable in the relevant period) and production sharing petroleum. The letter agreement purports to bind all future holders of interests in the El Fayum Concession to payment of the overriding royalty interest.

The overriding interest is valued in accordance with the pricing provisions of the El Fayum Concession and is required to be paid by Pharos El Fayum to Stratton Corporation within 15 days from the date that Pharos El Fayum receives such amounts under the El Fayum Concession. The letter agreement came into effect on 17 May 2005 and continues in effect until the El Fayum Concession is terminated.

### (l) *Placing Agreement and Subscription Agreements*

On 20 January 2021, the Company, Peel Hunt LLP ("**Peel Hunt**") and Auctus Advisors Limited ("**Auctus**") entered into a placing agreement ("**Placing Agreement**") in relation to the placing (the "**Placing**") by the Company of new Pharos Shares (the "**Placing Shares**") at a price of 19.25p per Pharos Share (the "**Placing Price**"). On the same date the Company entered into separate subscription agreements (the "**Subscription Agreements**") with each of Ed Story, Jann Brown, Mike Watts, Ettore Contini and Caterina van der Westhuizen (the "**Subscribers**") in relation to the subscription for new Pharos Shares (the "**Subscription Shares**") by each of those individuals at the Placing Price. The Company also announced a retail offer via PrimaryBid of up to 9,937,892 new Pharos Shares (the "**Retail Shares**") on the same date as announcement of the Placing (the "**Retail Offer**").

The Placing was effected by way of a "cash box" structure, under which Peel Hunt would subscribe for ordinary shares and redeemable preference shares in Pharos Energy (Jersey) Limited ("**JerseyCo**"), a subsidiary of the Company incorporated in Jersey, for an amount approximately equal to the net proceeds of the Placing. The Company would then allot the Placing Shares and the Subscription Shares for non-cash consideration. In order to give effect to the "cash box" structure:

- the Company, JerseyCo and Peel Hunt entered into an option agreement dated 21 January 2021, under which each of the Company and Peel Hunt agreed to subscribe for ordinary shares in JerseyCo, the Company agreed to grant Peel Hunt an option to require the Company to purchase from Peel Hunt its ordinary shares in JerseyCo, and Peel Hunt agreed to grant to the Company an option to purchase, Peel Hunt's ordinary shares in JerseyCo; and
- the Company, JerseyCo and Peel Hunt entered into a subscription and transfer agreement dated 21 January 2021, under which Peel Hunt agreed to subscribe for preference shares in JerseyCo and subsequently transfer its holding of ordinary and preference shares in JerseyCo to the Company.

Under the Placing Agreement, Peel Hunt and Auctus as joint bookrunners (the "**Banks**") agreed severally, subject to certain conditions and otherwise on the terms set out therein, to use their respective reasonable endeavours to procure subscribers for the Placing Shares.

Under the Placing Agreement, the Company agreed to pay the Banks, in consideration for their services, (a) a commission of 4% on the aggregate value at the Placing Price of the

Placing Shares up to US\$5 million; plus (b) a commission of 5% on the aggregate value at the Placing Price of the Placing Shares in excess of US\$5 million; plus (c) a commission of 2% on the aggregate value at the Placing Price of the Subscription Shares (such commission to be split between the Banks 60% to Peel Hunt and 40% to Auctus). The Company also agreed under the Placing Agreement to pay all other costs, charges and expenses of the Banks in connection with and incidental to the Placing, the issue of the Placing Shares and associated matters (together in each case with any applicable VAT).

The Placing Agreement also included a “lock-up” undertaking from the Company that, between the date of the Placing Agreement and 120 calendar days after completion of the Placing, it would not, without the prior written consent of the Banks (such consent not to be unreasonably withheld or delayed), enter into certain transactions involving or relating to Pharos Shares, subject to certain customary carve-outs. This “lock-up” period has now expired.

The Placing Agreement was conditional upon, amongst other things, admission of the Placing Shares to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities (“**Admission**”) occurring not later than 8.00 am on 27 January 2021 (or such later date as is agreed in writing between the Company and the Banks, being not later than 8.00 a.m. on 10 February 2021). The Placing Agreement contains warranties from the Company to the Banks in relation to, amongst other things, matters relating to the Company and its business. In addition, the Company has agreed to indemnify the Banks and certain of their connected persons in respect of certain liabilities resulting from the carrying out by the Banks of their obligations or services under the Placing Agreement or otherwise in connection with the Placing. The Banks had the right to terminate the Placing Agreement in certain circumstances prior to Admission including, in particular, in the event of a breach of the warranties or a force majeure event.

A total of:

- 30,733,682 Placing Shares were placed with new and existing investors at the Placing Price raising gross proceeds of approximately US\$8.1 million (£5.9 million);
- 9,017,886 Subscription Shares were allotted and issued to the Subscribers under the Subscription Agreements raising gross proceeds of approximately US\$2.4 million (£1.7 million); and
- 4,909,922 Retail Shares were allotted and issued under the Retail Offer at the Placing Price raising gross proceeds of approximately US\$1.3 million (£0.9 million).

Admission of the Placing Shares, the Subscription Shares and the Retail Shares occurred on 27 January 2021. Following Admission, the Company initiated the process to wind up JerseyCo. JerseyCo was dissolved on 5 February 2021.

## 10.2 ***The Sale Interests***

Other than the Transaction Documents, the El Fayum Concession, the North Beni Suef Concession, the NBE Facility Agreement and the Stratton ORRI, no contracts (not being contracts entered into in the ordinary course of business) have been entered into in connection with the Sale Interests either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Sale Interests; or (ii) which contain any provision under which there is any obligation or entitlement which is, or may be, material to the Sale Interests as at the date of this Circular.

## 11. **Litigation**

### 11.1 ***The Continuing Group***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the Continuing Group’s financial position or profitability.

## 11.2 ***The Sale Interests***

There are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the financial position or profitability of the Sale Interests.

## 12. **Working capital**

The Company is of the opinion that, taking into account existing available facilities and existing cash resources, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.

## 13. **No significant change**

### 13.1 ***The Continuing Group***

There has been no significant change in the financial position or the financial performance of the Continuing Group since 30 June 2021, being the end of the last financial period for which interim financial statements have been published by the Company.

### 13.2 ***The Sale Interests***

There has been no significant change in the financial position or the financial performance of the Sale Interests since 30 June 2021, being the end of the last financial period for which interim financial statements have been published by the Company.

## 14. **Consents**

14.1 Jefferies has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.

14.2 Deloitte LLP has given and has not withdrawn its written consent to the inclusion in Section 2 of Part V (*Unaudited Pro Forma Financial Information of the Retained Group*) of this Circular of its report on the unaudited pro forma statement of net assets of the Group and the unaudited income statement of the Group in the form and context in which it is included.

## 15. **Documents available for inspection**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the venue for the General Meeting up to and including the date of the General Meeting:

- (a) the Transaction Documents;
- (b) the memorandum and articles of association of the Company;
- (c) copies of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts and the 2020 Annual Report and Accounts;
- (d) the unaudited interim financial statements of the Company for the six months ended 30 June 2021;
- (e) this Circular and the Form of Proxy; and
- (f) the written consents referred to in paragraph 14 of this Part VI (*Additional Information*).

The above documentation (other than the documents under (a) above) will also be available on the Company's website at [www.pharos.energy](http://www.pharos.energy), and also for inspection on the date and at the place of the General Meeting until its conclusion.

## PART VII

### GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Circular. Grammatical variations of these terms should be interpreted in the same way.

<b>1P reserves</b>	proved reserves; denotes the low estimate scenario of reserves
<b>2D seismic</b>	seismic data consisting of adjacent lines acquired individually, as opposed to the multiple closely spaced lines acquired together that constitute 3D seismic data
<b>2C resources</b>	the best estimate of contingent resources
<b>2P reserves</b>	equivalent to the sum of proved plus probable reserves; denotes best estimate scenario of reserves
<b>3D seismic</b>	seismic data acquired as multiple, closely spaced traverses, typically providing a more detailed and accurate image of the subsurface than 2D seismic data
<b>appraisal</b>	the phase of petroleum operations immediately following a successful discovery to further evaluate the discovery, such as seismic acquisition, geological studies, and drilling additional wells to reduce technical uncertainties and commercial contingencies
<b>appraisal well</b>	a well drilled as part of the appraisal of a discovery or field
<b>bbl</b>	barrel
<b>Bcf or Bscf</b>	billion cubic feet
<b>block</b>	term commonly used to describe areas over which there is a petroleum or production licence, concession or PSC
<b>boepd</b>	barrels of oil equivalent per day
<b>bopd</b>	barrels of oil per day
<b>condensate</b>	a mixture of hydrocarbons (mainly pentanes and heavier) that exist in the gaseous phase at original temperature and pressure of the reservoir but, when produced, are in the liquid phase at surface pressure and temperature conditions (when temperature or pressure is reduced relative to the reservoir)
<b>contingent resources</b>	has the meaning given to it in the PRMS, as set out in page 5 of this Circular
<b>discovery</b>	an exploration well which has encountered oil and gas for the first time in a structure
<b>E&amp;P</b>	exploration and production
<b>EOR</b>	enhanced oil recovery
<b>ESP</b>	electric submersible pump
<b>exploration</b>	the phase of operations which covers the search or prospecting for undiscovered petroleum using various techniques, such as seismic surveys, geological studies and exploratory drilling

<b>exploration drilling</b>	drilling carried out to determine whether oil and gas are present in a particular area or structure
<b>exploration well</b>	a well in an unproven area or prospect, sometimes also known as a “wildcat well”
<b>farm-out</b>	a term used to describe when a company sells a portion of the acreage in a block to another company, usually in return for consideration and for the buying company taking on a portion of the selling company’s work commitments
<b>field</b>	a geographical area under which either a single reservoir or multiple reservoirs lie, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
<b>HSSE</b>	health, safety, security and the environment
<b>hydrocarbon</b>	a chemical compound consisting wholly of hydrogen and carbon molecules, which may exist as a solid, a liquid or a gas (for example, oil, gas or condensate)
<b>infrastructure</b>	oil and gas processing, transportation and off-take facilities
<b>JV</b>	joint venture
<b>km</b>	kilometre(s) (and <b>km<sup>2</sup></b> means square kilometre(s))
<b>lead</b>	a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a prospect
<b>LPG</b>	liquefied petroleum gas, the principal components of which are typically propane and/or butane liquefied by pressure and temperature
<b>m</b>	metre
<b>migration</b>	the movement of hydrocarbons from source rocks into reservoir rocks, which can be local or can occur along distances of hundreds of kilometres in large sedimentary basins, and is critical to a viable petroleum system
<b>MMbbl</b>	million barrels
<b>natural gas</b>	gas, predominantly methane, occurring naturally, and often found in association with crude petroleum
<b>offshore</b>	that geographic area that lies seaward of the coastline
<b>oil</b>	a mixture of liquid hydrocarbons of different molecular weights
<b>oil field</b>	the mapped distribution of a proven oil-bearing reservoir or reservoirs
<b>operator</b>	the company that has legal authority to drill wells and undertake production of petroleum, often acting on behalf of a consortium or JV
<b>participating interest</b>	the proportion of exploration and production costs each party will bear and the proportion of production each party will receive, typically set out in a JOA
<b>petroleum</b>	a generic name for oil and gas, including crude oil, natural gas liquids, natural gas, condensate and their products

<b>petroleum system</b>	geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal
<b>PRMS</b>	the 2018 Petroleum Resources Management System (as approved and sponsored by, amongst others, the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers)
<b>prospect</b>	an identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A prospect generally is mature enough to be considered for drilling
<b>prospective resources</b>	has the meaning given to it in the PRMS, as set out in page 5 of this Circular
<b>PSC</b>	production sharing agreement or contract, being a contract between a contractor and a host government in which the contractor typically bears the risk and costs for exploration, development, and production and in return, if exploration is successful, the contractor is given the opportunity to recover the incurred investment from production, subject to specific limits and terms
<b>reserves</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions and satisfying four criteria: discovered, recoverable, commercial and remaining (as of the evaluation's effective date) based on the development project(s) applied
<b>reservoir</b>	a subsurface rock formation that contains an individual and separate natural accumulation of petroleum that is confined by impermeable barriers, pressure systems, or fluid regimes (conventional reservoirs), or is confined by hydraulic fracture barriers or fluid regimes (unconventional reservoirs)
<b>resources</b>	contingent resources and prospective resources, unless otherwise specified
<b>seal</b>	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir, a critical component of a complete petroleum system
<b>seismic survey</b>	a method by which an image of the earth's sub-surface is created through the generation of shockwaves and analysis of their reflection from rock strata
<b>scf</b>	standard cubic feet
<b>TD</b>	total depth, being the depth at the base of a well
<b>trap</b>	a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs). A trap is an essential component of a petroleum system

<b>waterflood or waterflooding</b>	a form of secondary oil recovery in which water is injected into the reservoir formation to displace residual oil within the formation, with the water from injection wells moving the displaced oil to adjacent producing wells
<b>WI or working interest</b>	the percentage equity interest in an E&P asset, before reduction for royalties or production share owed to the government under the applicable fiscal terms
<b>workover or workover well</b>	a well intervention, which is any operation carried out on an existing well during or at the end of its productive life, which alters the state of the well and/or well geometry, provides well diagnostics, or manages the production of the well for the purpose of restoring, prolonging, or enhancing the production from that well

## PART VIII

### DEFINITIONS

The following definitions apply throughout this Circular, unless stated otherwise:

<b>2009 DSOP</b>	the Company's 2009 Discretionary Share Option Plan
<b>2014 DSBP</b>	the Company's 2014 Deferred Share Bonus Plan
<b>2018 Acquisition Circular</b>	the circular of the Company to Shareholders dated 5 December 2018 in connection with the proposed acquisition of the entire issued share capital of Pharos El Fayum
<b>2018 Annual Report and Accounts</b>	the Pharos annual report and accounts for the year ended 31 December 2018 (published under the former name of the Company, SOCO International plc)
<b>2019 Annual Report and Accounts</b>	the Pharos annual report and accounts for the year ended 31 December 2019
<b>2020 Annual Report and Accounts</b>	the Pharos annual report and accounts for the year ended 31 December 2020
<b>2021 Interim Results</b>	the interim results for the six months ending 30 June 2021 announced by the Company on 15 September 2021
<b>AGM</b>	annual general meeting of the Company
<b>AIPN</b>	The Association of International Petroleum Negotiators
<b>Announcement</b>	the announcement relating to the Transaction made by Pharos on 15 September 2021
<b>ARE</b>	Arab Republic of Egypt
<b>Assignment Bonus</b>	the assignment bonus prescribed in the El Fayum Concession or, as the case may be, the North Beni Suef Concession, as described in paragraphs 1.4 and 3.4 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>Board or Pharos Board</b>	the board of directors of the Company, comprising at the date of this Circular the Directors whose names appear in Part VI ( <i>Additional Information</i> ) of this Circular
<b>Break Fee</b>	the break fee agreed between Pharos El Fayum and IPR Lake Qarun under the El Fayum FOA payable by Pharos El Fayum in the circumstances described in paragraph 1.2 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>Brent Price</b>	the average mid-point Brent (Dated) crude price in a calendar year, as reported by S&P Global Platts Crude Oil Marketwire or, failing which, an appropriate alternative to be agreed or determined as provided in the El Fayum FOA
<b>Brent Price Contingent Consideration</b>	has the meaning given to it in paragraph 1.3.3 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>Business Day</b>	a day, other than a Saturday or Sunday, on which banks are generally open for business in London or, where the term <b>Business Day</b> is used in Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular, a day (other than a Friday, Saturday or Sunday) on which clearing banks are or, as the context may

	require, were generally open for business in Cairo, Dallas and London
<b>CCSS</b>	the CREST courier and sorting service operated by Euroclear to facilitate, <i>inter alia</i> , the deposit and withdrawal of securities
<b>Circular or this Circular</b>	this document, being a <i>class 1 circular</i> as such term is defined in the Listing Rules
<b>Companies Act 1985</b>	the Companies Act 1985 (as amended)
<b>Companies Act 2006</b>	the Companies Act 2006 (as amended)
<b>Company or Pharos</b>	Pharos Energy plc, incorporated in England and Wales with registered number 03300821
<b>Completion</b>	completion of the Transaction under and in accordance with the Farm-Out Agreements
<b>Concessions</b>	the El Fayum Concession and the North Beni Suef Concession (and <b>Concession</b> shall mean such of them as the context requires)
<b>Conditions</b>	the conditions to the Transaction as described in paragraphs 1.2 and 3.2 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular or, where the context requires, the specific conditions to completion under the El Fayum FOA or the specific conditions to completion under the North Beni Suef FOA
<b>Continuing Group or Retained Group</b>	the Group following Completion
<b>Contractor Party or Contractor</b>	a party or parties identified as being, or forming part of, the “Contractor” as defined in the El Fayum Concession or, as the case may be, the North Beni Suef Concession (and <b>Contractor Parties</b> shall where the context requires mean more than one of such parties)
<b>CP Long Stop Date</b>	14 May 2022, or such later date as may be agreed by the parties to the Farm-Out Agreements
<b>CREST</b>	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title of shares in uncertified form operated by Euroclear
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
<b>CREST member</b>	a person who has been admitted to CREST as a system member (as defined in the CREST Regulations)
<b>CREST participant</b>	a person who is, in relation to CREST, a system (as defined in the CREST Regulations)
<b>CREST Proxy Instruction</b>	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual

<b>CREST Regulations</b>	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>CREST sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>Deeds of Assignment</b>	the El Fayum Deed of Assignment and the North Beni Suef Deed of Assignment (and <b>Deed of Assignment</b> shall mean such of them as the context requires)
<b>Development Lease</b>	a development lease granted under and in accordance with the El Fayum Concession or, as the case may be, the North Beni Suef Concession
<b>Directors or Pharos Directors</b>	the directors of the Company
<b>DTR or DTRs</b>	the Disclosure Guidance and Transparency Rules issued and maintained by the FCA under section 73A of FSMA
<b>Economic Date</b>	00.01 hours on 1 July 2020
<b>EGPC</b>	the Egyptian General Petroleum Corporation, an Egyptian state oil and gas company
<b>Egypt</b>	the Arab Republic of Egypt
<b>El Fayum Carried Costs</b>	has the meaning given to it in paragraph 1.5.1 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>El Fayum Concession</b>	the concession contained in and awarded under the agreement entered into on 15 July 2004 between Pharos El Fayum, the Arab Republic of Egypt and EGPC, as amended and restated, as described in paragraph 10.1(h) of Part VI ( <i>Additional Information</i> ) of this Circular
<b>El Fayum Deed of Assignment</b>	the deed assigning a fifty-five per cent (55%) interest in the Contractor's rights and obligations in each of the El Fayum Concession from Pharos El Fayum to IPR Lake Qarun
<b>El Fayum Deposit</b>	has the meaning given to it in paragraph 1.3 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>El Fayum FOA</b>	the farm-out agreement dated 14 September 2021 in relation to the El Fayum Concession between Pharos El Fayum (as seller), IPR Lake Qarun (as buyer) and IPR Energy AG (as guarantor of the buyer's obligations)
<b>El Fayum JOA</b>	the joint operating agreement in the agreed form between Pharos El Fayum and IPR Lake Qarun in relation to the El Fayum Concession to be entered into at Completion
<b>El Fayum Sale Interest</b>	<p>a 55% share of the legal and beneficial interest in the rights and obligations of the Contractor Party under the El Fayum Concession and:</p> <ul style="list-style-type: none"> <li>(a) a corresponding 55% participating interest under the new El Fayum JOA;</li> <li>(b) a 27.5% legal and beneficial interest in the shares of Petrosilah, the joint operating company of the El Fayum Concession;</li> <li>(c) a 55% share of the legal and beneficial interests of the Contractor Party in the relevant field facilities; and</li> </ul>

	(d) a 55% share of the legal and beneficial interest in data in the possession or under the control of the Group relating directly to the EI Fayum Sale Interest,
	together in each case with all rights and obligations attaching thereto and including the right to take and receive a consequent share of the petroleum produced under the EI Fayum Concession on and after the Completion and to receive the gross proceeds from the sale or other disposition thereof
<b>Employee Share Plans</b>	the 2009 DSOP, the 2014 DSBP and the LTIP
<b>Encumbrance</b>	any mortgage, standard security, charge, assignment or assignation by way of security, pledge, hypothecation, lien (other than in the ordinary course of business), right of set-off (other than in the ordinary course of business), retention of title provision (other than in the ordinary course of business), trust or flawed asset arrangement (for the purpose of, or which has the effect of, creating security) or other preferential right having the effect of creating security
<b>Equiniti</b>	Equiniti Limited
<b>ERCe</b>	ERC Equipoise Limited, an oil and gas subsurface consultancy
<b>Euroclear</b>	Euroclear UK & International Limited, the operator (as defined in the CREST Regulations) of CREST
<b>Executive Directors</b>	Ed Story, Sue Rivett, Jann Brown and Dr Mike Watts
<b>Farm-Out Agreements</b>	the EI Fayum FOA and the North Beni Suef FOA (and <b>Farm-Out Agreement</b> shall mean such of them as the context requires)
<b>FCA</b>	the Financial Conduct Authority
<b>Form of Proxy</b>	the form of proxy accompanying this Circular for use by Shareholders in relation to the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>G&amp;A</b>	general and administrative costs
<b>General Meeting</b>	the general meeting of the Company (or any adjournment thereof) to be held at 10.00 a.m. on 14 December 2021 at the offices of Shepherd and Wedderburn LLP, 5 Cheapside, Octagon Point, London EC2V 6AA, notice of which is set out at the end of this Circular
<b>Group</b>	the Company, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which the Company or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act 2006) from time to time and references to a <b>member of the Group</b> shall be construed accordingly
<b>H1 or 1H</b>	the first half of a calendar year, being January to June (inclusive)
<b>H2 or 2H</b>	the second half of a calendar year, being July to December (inclusive)
<b>IPR Energy AG</b>	IPR Energy AG, a company organised and existing under the law of Switzerland (company registration number CHE-362.773.377) and having its registered office at

	Baarerstrasse 53, CH-6302, Zug, Switzerland, a member of the IPR Energy Group
<b>IPR Energy Group or IPR</b>	a privately owned international group of companies operating in the energy sector, with divisions responsible for oil and gas exploration and production, oilfield services and technical services, the ultimate holding company of which is IPR Hydrocarbons, Inc.
<b>IPR Lake Qarun</b>	IPR Lake Qarun Petroleum Co., an exempted company with limited liability organised and existing under the laws of Cayman Islands (registration number 379306) and having its registered office at c/o Paget-Brown Trust Company Ltd., Century Yard, Cricket Square, PO Box 1111, George Town, Grand Cayman KY1-1102, Cayman Islands, a member of the IPR Energy Group
<b>JOA</b>	joint operating agreement
<b>Latest Practicable Date</b>	23 November 2021, being the latest practicable date prior to the publication of this Circular for the purposes of ascertaining certain information contained in this Circular
<b>LCIA</b>	London Court of International Arbitration
<b>LCIA Arbitration Rules</b>	the Rules of Arbitration of the LCIA for the time being in force
<b>LCIA Mediation Rules</b>	the mediation rules of the LCIA for the time being in force
<b>Listing Rules</b>	the listing rules issued and maintained by the FCA under section 73A of FSMA
<b>London Stock Exchange</b>	London Stock Exchange plc or its successor
<b>LTIP</b>	the Company's Long Term Incentive Plan, originally adopted on 23 June 2011, as subsequently amended on 6 February 2012, 9 September 2015, 18 January 2017, 7 June 2018 and 4 December 2019 and as most recently amended and approved by Shareholders on 8 June 2021
<b>MAR</b>	the retained EU law version of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
<b>McDaniel</b>	McDaniel & Associates Consultants Ltd, an oil and gas consultancy specialising in reserve and resource evaluations
<b>Minister</b>	the current Minister of Petroleum and Mineral Resources in Egypt and his successors from time to time
<b>Non-Executive Directors</b>	John Martin, Rob Gray, Marianne Daryabegui, Lisa Mitchell and Geoffrey Green
<b>North Beni Suef Carried Costs</b>	has the meaning given to it in paragraph 3.5.1 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>North Beni Suef Concession</b>	the concession contained in and awarded under the agreement entered into on 24 December 2019 between Pharos El Fayum, the Arab Republic of Egypt and EGPC, as amended and restated, as described in paragraph 10.1(j) of Part VI ( <i>Additional Information</i> ) of this Circular
<b>North Beni Suef Deed of Assignment</b>	the deed assigning a fifty-five per cent (55%) interest in the Contractor's rights and obligations in each of the North Beni Suef Concession from Pharos El Fayum to IPR Lake Qarun

<b>North Beni Suef Deposit</b>	has the meaning given to it in paragraph 3.3 of Part III ( <i>Principal Terms of the Transaction</i> ) of this Circular
<b>North Beni Suef FOA</b>	the farm-out agreement dated 14 September 2021 in relation to the North Beni Suef Concession between Pharos El Fayum (as seller), IPR Lake Qarun (as buyer) and IPR Energy AG (as guarantor of the buyer's obligations)
<b>North Beni Suef JOA</b>	the joint operating agreement in the agreed form between Pharos El Fayum and IPR Lake Qarun in relation to the El Fayum Concession. to be entered into at Completion
<b>North Beni Suef Sale Interest</b>	<p>a 55% share of the legal and beneficial interest in the rights and obligations of the Contractor Party under the North Beni Suef Concession, together with:</p> <ul style="list-style-type: none"> <li>(a) a corresponding 55% participating interest under the new North Beni Suef JOA;</li> <li>(b) a 55% share of the legal and beneficial interests of the Contractor Party in the relevant field facilities; and</li> <li>(c) a 55% share of the legal and beneficial interest in data in the possession or under the control of the Group relating directly to the North Beni Suef Sale Interest,</li> </ul> <p>together in each case with all rights and obligations attaching thereto</p>
<b>Notice of General Meeting</b>	the notice of the General Meeting set out at the end of this Circular
<b>Operator G&amp;A</b>	the general and administrative costs of the operator under the El Fayum JOA or, as the case may be, the North Beni Suef JOA, incurred by the operator and its affiliates, including the cost of the operator's personnel seconded to Petrosilah and contract personnel working as part of the operator's organisation, and which would otherwise be chargeable to the joint account (but excluding specifically any charges made by an Affiliate of the operator to Petrosilah pursuant to a supply chain agreement for the provision of services, equipment or materials of the type which are normally provided by oil field service companies)
<b>Petrosilah</b>	a joint stock company incorporated in the Arab Republic of Egypt on 1 July 2004 with Pharos El Fayum and EGPC each holding and owning, before completion of the Transaction, one half of the capital stock
<b>Petrosilah Board</b>	the board of directors of Petrosilah from time to time
<b>Pharos Audited Financial Statements</b>	<p>the Group's consolidated financial statements for:</p> <ul style="list-style-type: none"> <li>(a) the year ended 31 December 2018 as set out in the 2018 Annual Report and Accounts;</li> <li>(b) the year ended 31 December 2019 as set out in the 2019 Annual Report and Accounts; and</li> <li>(c) the year ended 31 December 2020 as set out in the 2020 Annual Report and Accounts.</li> </ul>
<b>Pharos El Fayum</b>	Pharos El Fayum (formerly named Merlon Petroleum El Fayum Company), an exempted company with limited liability organised

	and existing under the laws of the Cayman Islands (registration number 78257)
<b>Pharos Interim Financial Statements</b>	the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 set out in the 2021 Interim Results
<b>Pre-Completion</b>	in relation to the El Fayum FOA or, as the case may be, the North Beni Suef FOA, satisfaction or waiver of the conditions precedent to Completion other than formal execution of the corresponding Deed of Assignment by EGPC and the Minister and delivery of the Replacement Guarantees
<b>Prospectus Rules</b>	the rules for the purposes of Part IV FSMA in relation to the offers of securities to the public and the admission of securities to trading on a regulated market
<b>Q1</b>	1 January to 31 March in a calendar year
<b>Q2</b>	1 April to 30 June in a calendar year
<b>Replacement Guarantees</b>	one or more guarantees, to take effect from Completion in respect of and meeting the requirements of the El Fayum Concession or, as the case may be, the North Beni Suef Concession, to replace equivalent existing guarantees given by Pharos El Fayum, in each case in the form required by EGPC and agreed by Pharos El Fayum and IPR Lake Qarun and given by or on behalf of each of them either jointly or separately
<b>Reserve Tail Date</b>	the last day of the relevant calculation period immediately preceding the first such period in which the aggregate remaining reserves under the borrowing base assets are projected to fall below 25 per cent. of the initially approved reserves
<b>Resolution</b>	the ordinary resolution of the shareholders of Pharos Energy plc set out in the Notice of General Meeting that, among other things, approves the Transaction as a class 1 transaction and which will be voted on at the General Meeting
<b>Sale Interests</b>	the El Fayum Sale Interest and the North Beni Suef Sale Interest
<b>Shareholders or Pharos Shareholders</b>	holders of Shares
<b>Shares or Pharos Shares</b>	the ordinary shares of £0.05 each in the capital of the Company
<b>Third Concession Amendment</b>	the proposed amendment to the El Fayum Concession substantially in the form of the initialled amendment to the El Fayum Concession disclosed to IPR Lake Qarun, with such minor changes not adversely affecting IPR Lake Qarun as may be agreed between EGPC and Pharos El Fayum prior to signature of such amendment
<b>Transaction</b>	the farm-out and sale by Pharos El Fayum to IPR Lake Qarun of: <ul style="list-style-type: none"> <li>(a) the El Fayum Sale Interest; and</li> <li>(b) the North Beni Suef Sale Interest</li> </ul> under the Farm-Out Agreements
<b>Transaction Documents</b>	the El Fayum FOA, the North Beni Suef FOA, the El Fayum JOA and the North Beni Suef JOA
<b>UK or United Kingdom</b>	The United Kingdom of Great Britain and Northern Ireland

**United States or US**

The United States of America, its territories and possessions,  
any State of the United States and the District of Columbia

For the purpose of this document, **subsidiary**, **subsidiary undertaking**, **undertaking** and **associated undertaking** have the meanings given by the Companies Act 2006.

All times referred to are London time unless otherwise stated.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

# PHAROS ENERGY PLC

(Incorporated in England and Wales with registered number 03300821)

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Pharos Energy plc (the “**Company**”) will be held at the offices of Shepherd and Wedderburn LLP, 5 Cheapside, Octagon Point, London EC2V 6AA at 10.00 a.m. on 14 December 2021 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Capitalised terms not defined below are references to those terms as defined in the circular to shareholders dated 25 November 2021.

## ORDINARY RESOLUTION

**THAT** the proposed farm-out and sale by the Group of a 55% working interest in the El Fayum concession, Egypt and a 55% working interest in the North Beni Suef concession, Egypt (together the “**Transaction**”) substantially on the terms and subject to the conditions set out in the circular to shareholders of the Company in connection with the Transaction dated 25 November 2021, of which this notice forms part, be and is hereby approved and the directors of the Company (or any duly constituted committee thereof) be authorised to:

- (a) take all such steps as may be necessary or desirable in connection with, and to implement, the Transaction; and
- (b) agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Transaction (provided such modifications, variations, revisions, waivers or amendments are not material), and to any documents relating thereto, as they may in their absolute discretion think fit.

Dated: 25 November 2021

*By order of the Board*

**Tony Hunter**  
Company Secretary

*Registered office*  
27/28 Eastcastle Street  
London W1W 8DH

### Shareholder Notes:

1. At present, public health guidance and legislation issued by the UK Government in relation to the COVID-19 pandemic would permit public gatherings and travel at the date of the General Meeting. However, due to the continuing potential health risks from public gatherings because of the COVID-19 pandemic, Shareholders are strongly encouraged to appoint the chair of the General Meeting as their proxy and to give their instructions on how they wish the chair of the General Meeting to vote on the Resolution on their behalf. If you wish to attend the General Meeting physically, or appoint a person as your proxy other than the chair of the General Meeting, you are asked to register your intention to attend by emailing [info@pharos.energy](mailto:info@pharos.energy) on reasonable notice before the date of the General Meeting to allow the Company to make appropriate arrangements. If you do not register your intention to attend on reasonable notice, this could result in either you or your proxy (if a person other than the chair of the General Meeting) not being permitted entry to the General Meeting.
2. If it becomes necessary or desirable to change the arrangements for the General Meeting, for example due to the application of further public health guidance or legislation that restricts or prevents attendance at the General Meeting, the Company will notify shareholders before the General Meeting via its website at [www.pharos.energy](http://www.pharos.energy) and, where appropriate, through the release of an announcement to a Regulatory Information Service. Even if physical attendance at the General Meeting is possible, in order to minimise public health risks, refreshments will not be served before or after the General Meeting and Directors will not be available to circulate with shareholders following the General Meeting.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company as at 6.30 p.m. on 10 December 2021 or, in the event that the meeting is adjourned, in the register of members at 6.30 p.m. on the date 48 hours before the date of any adjourned meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or any adjourned meeting.
4. A holder of shares of the Company entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote on their behalf at the meeting. A Form of Proxy which may be used to make such appointment and give proxy instructions is enclosed with this notice. Please complete and return the Form of Proxy. Please indicate how you wish your vote to be cast by inserting an “X” in the appropriate box. In the event that

you wish to appoint a person other than the Chair as your proxy, delete the reference to the Chairman and insert the name of the person you wish to appoint in the space provided. Please initial the amendment, otherwise your proxy will be invalid. Subject to note 1 above, a proxy need not be a member of the Company. Instructions for use are shown on the Form of Proxy. Completion and return of a Form of Proxy, an electronic proxy or any CREST Proxy Instruction (as defined in note 12 below) will not preclude a shareholder from attending the meeting and voting there in person. The Company will not exercise any rights in relation to any shares held by, or on behalf of, the Company.

5. To be effective, the Form of Proxy (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority) must be deposited at the Company's registrar, Equiniti Limited at Aspect House, Spencer Road, Lancing, BN99 6DA before 10.00 a.m. on 12 December 2021 or, if the meeting is adjourned, by not later than 48 hours before the time of the adjourned meeting. Forms of Proxy returned by fax will not be accepted. Alternatively, you may appoint a proxy or proxies electronically through the Company's registrar's website: [www.sharevote.co.uk](http://www.sharevote.co.uk). Full details of the procedure to be followed to appoint a proxy electronically are given on the website.
6. A holder of shares of the Company entitled to attend and vote at the meeting may, subject to note 1 above, appoint more than one proxy. To do so, you should photocopy the Form of Proxy. You must complete a separate Form of Proxy for each proxy. Please indicate, next to each proxy holder's name, the number of shares each proxy appointment relates to and how you wish the proxies' votes to be cast. Please also indicate, by marking the box on the proxy, if multiple appointments are being made. Please initial the amendment, otherwise your proxy will be invalid. A failure to specify the number of shares each proxy appointment relates to, or specifying a number of shares in excess of those held by the member on the date referred to in note 3 above, will result in the proxy appointments being invalid.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
8. Any person who is not a member of the Company but has been nominated under section 146 of the Companies Act 2006 by a member of the Company (the "relevant member") to enjoy information rights, (the "nominated person") does not have a right to appoint any proxies under note 4 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the meeting. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights.
9. The "Vote Withheld" option is provided to enable you to abstain on the specified resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" the specified resolution.
10. As at 23 November 2021 (being the latest practicable date prior to the publication of this notice), the Company's share capital consisted of 451,684,869 ordinary shares of £0.05, carrying one vote each, including 9,122,268 shares in treasury. Therefore, the total number of voting rights in the Company as at 23 November 2021 (excluding voting rights attached to shares held by or on behalf of the Company) was 442,562,601.
11. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the relevant register of members of the Company at 6.30 p.m. on the date 48 hours before the meeting or, in the event that the meeting is adjourned, in the register of members of the Company at 6.30 p.m. on the date 48 hours before the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after the relevant time shall be disregarded in determining the rights of any person to attend and vote at the meeting or any adjourned meeting. Shareholders who hold their shares in the Company through CREST ("CREST members") and who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the purpose of this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual available at [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar Equiniti Limited (Participant ID RA19), not later than 48 hours before the time appointed for the meeting or any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's registrar are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
16. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

17. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
18. Any member attending the meeting has a right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
19. A copy of this notice, and other information required by s.311A of the Companies Act 2006, can be found at [www.pharos.energy](http://www.pharos.energy).
20. No electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this notice (or in any related documents including the Form of Proxy) may be used to communicate with the Company for any purpose other than those expressly stated.
21. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore, any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.
22. The shorter notice period of a minimum of 14 clear days as approved at the Company's most recent annual general meeting has been used for the purposes of this meeting as the directors of the Company believe that the flexibility offered by the shorter notice period is merited by the Transaction and it is in the best interests of the shareholders as a whole, taking into account the circumstances and business of the meeting.
23. Copies of the following documents may be inspected at the venue for the General Meeting during normal business hours, Monday to Friday (public holidays excepted) until the end of the General Meeting:
  - the current memorandum and articles of association of the Company;
  - the El Fayum FOA and the North Beni Suef FOA;
  - the agreed forms of the El Fayum JOA and the North Beni Suef JOA;
  - the Circular (including this Notice of General Meeting) and the Form of Proxy;
  - copies of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts and the 2020 Annual Report and Accounts; and
  - the unaudited interim financial statements of the Company for the six months ended 30 June 2021.



