

PETSEC ENERGY LTD

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2nd May 2019

Petsec Energy Ltd 2019 AGM Presentation

Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)

Attached is a copy of the presentation to be delivered today by Petsec Energy Ltd.'s Executive Chairman, Terry Fern, at the 2019 Annual General Meeting ("AGM") of members of Petsec Energy Ltd, held at the Governor Macquarie Tower, Level 15 Bligh Room, Sydney, NSW.

A copy of the presentation will also be made available on the Company's website, www.petsec.com.au.

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Petsec Energy Ltd

Annual General Meeting

2nd May 2019



Forward Looking Statement Disclaimer

This presentation contains predictions, estimates and other forward looking statements that are subject to risk factors associated with the oil and gas industry. Although the company believes that the expectations reflected in these statements are reasonable, it can give no assurance that its expectations and goals will be achieved. Important factors that could cause actual results to differ materially from those included in the forward looking statements include, but are not limited to, commodity prices for oil and gas, currency fluctuations, the need to develop and replace reserves, environmental risks, drilling and operating risks, risks related to exploration and development, uncertainties about reserve estimates, competition, loss of market, government regulation, economic and financial conditions in various countries, political risks, project delay or advancement, and approvals and cost estimates.

All references to dollars in this presentation are to US currency, unless otherwise stated.

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The reserves assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The USA and Yemen reserve estimates provided within this presentation are based on information contained within the announcements to the ASX on 18 February 2019 and the 2018 Annual Report.

The Company confirms that it is not aware of any new information or data that materially affects the information included within the above releases, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

Petsec Energy Corporate Profile

Petsec Energy Ltd (ASX Ticker: PSA / ADR Ticker: PSJEY)

- ❖ Company established **7th December 1967**.
- ❖ Listed on ASX and traded over the counter in the USA as ADR's.
- ❖ **368,587,924** shares on issue on the ASX as at 23 April 2019.
- ❖ Approximately **A\$27 million** market capitalisation (7.3 cents per share).
- ❖ Approximately **1,800** shareholders.
- ❖ Top 20 hold **68.1%**.
- ❖ Longstanding and supportive **shareholders:**
 - Sing Rim Pte Limited * 24.8%
 - Board and Management 14.6%
 - Martin Place Nominees 6.4%

** Sing Rim Pte Limited is the Registrar for the secured convertible noteholders.*

Corporate Profile

Changes to Executive Management

Appointment of Mr. Syed Bokhari as Managing Director – Petsec Energy Ltd

- ❖ Mr. Bokhari will take over as Managing Director of Petsec Energy Ltd from Mr. Terrence Fern, who will take an Executive Chairman role.
- ❖ Responsible for the development and growth of the Company's MENA and USA operations.
- ❖ Major objective is the re-start of oil production at the earliest from the An Nagyah Oilfield, Yemen.
- ❖ Mr. Bokhari will report to the Executive Chairman, Terrence Fern, and the Board.



- ❖ Mr. Bokhari holds a BSc and MSc in Petroleum Engineering from the University of Texas and is a highly experienced production operations petroleum engineer and has over 33 years of experience with major E&P companies.
- ❖ Recently served as the CEO and Managing Director of Pakistan Petroleum Limited (PPL – the Pakistan National Oil Company) and prior to that senior roles at KUFPEC, Atlantic Richfield Company (ARCO), and ENI (AGIP & Lasm).
- ❖ At ARCO, KUFPEC and PPL Mr Bokhari had responsibility for Blocks 4, 5, 7 and 10 in Yemen. Blocks 4 and 5 are adjacent to Petsec Energy's Block S-1 and Block 7.

Petsec Energy Ltd Financial & Operating Performance FY2018

Financial Performance – FY2018

❖ Net Production ¹	796 MMcfe (up 129%)
❖ Net Revenue ¹	US\$3.1MM (up 138%)
❖ Net Loss After Tax	US\$10.1MM (previous period: Loss US\$12.0MM)
❖ EBITDAX ²	Negative US\$2.9MM (previous period: US\$6.8MM)
❖ Net Assets	US\$1MM (previous period: US\$7MM)
❖ Net 2P Oil & Gas Reserves (1.1.19) ³	9.1 MMboe
❖ Borrowings	US\$11.5MM (previous US\$5.7MM)
❖ Cash at year end	US\$4.5MM (up 28%)

¹ 100% of the Company's production and revenues is derived from its USA operations – 1 well at Mystic Bayou and 1 well at Main Pass 270 (Hummer Field).

² Earnings before interest, income tax, depreciation, depletion and amortisation, and exploration (including dry hole, impairment and abandonment expense, seismic and work-over expense). EBITDAX is a non IFRS number.

³ Independently audited 2P reserves net to the Company's economic interest.

Petsec Energy Business Update

Business Update

Operations USA – History, Reserves & Assets

Strong Track Record & History in the Gulf of Mexico and Louisiana

- ❖ Operated in USA Gulf of Mexico and Louisiana since 1991.
- ❖ Drilling success: 109 wells / 81 successful / 74% success – net production > 217 Bcfe, ~ US\$545MM EBITDAX.
- ❖ Active Projects: Jeanerette, Mystic Bayou & Hummer (Main Pass 270/273/274).

Existing Proved and Probable (2P) Reserves

- ❖ USA 2P Reserves @ 1.1.2019: 14.5 Bcf of gas + 1.055 MMbbl of oil (3.5 MMboe); NPV₁₀ value of US\$34.0MM.
- ❖ Potential impact to reserves due to the recent result of B-2 well – two primary objectives deemed uneconomic for production.

Jeanerette: 12.5% Working Interest (9.22% Net Revenue Interest)

- ❖ Discovery well (July 2014); producing intermittently; requires workover.

Mystic Bayou: 25% Working Interest (18.50% Net Revenue Interest)

- ❖ Discovery well (August 2015); Commenced production November 2015. Current Gross Production 1.2 MMcf/gpd and 24 bc/d.
- ❖ Field Future Development: Up to 3 wells.

Hummer: 12.5% Working Interest (10.26354% Net Revenue Interest + 0.441% Overriding Royalty Interest)

- ❖ Discovery well (November 2015); Commenced production in November 2017. Current Gross Production: 9.4 MMcf/d and 183 bop/d.
- ❖ Field Future Development: Additional development wells expected.

Business Update

Operations USA – Assets



Business Update

Operations USA – Mystic Bayou Gas/Oil Field



Mystic Bayou Gas/Oil Field, Onshore Louisiana
One well currently producing at 1.2 MMcf/gpd + 24 bopd

Hummer Gas/Oil Field: Main Pass Blocks 270, 273, 274 (Petsec 12.5% W.I.) Discovery November 2015. Platform set 2016/2017. Production began November 2017

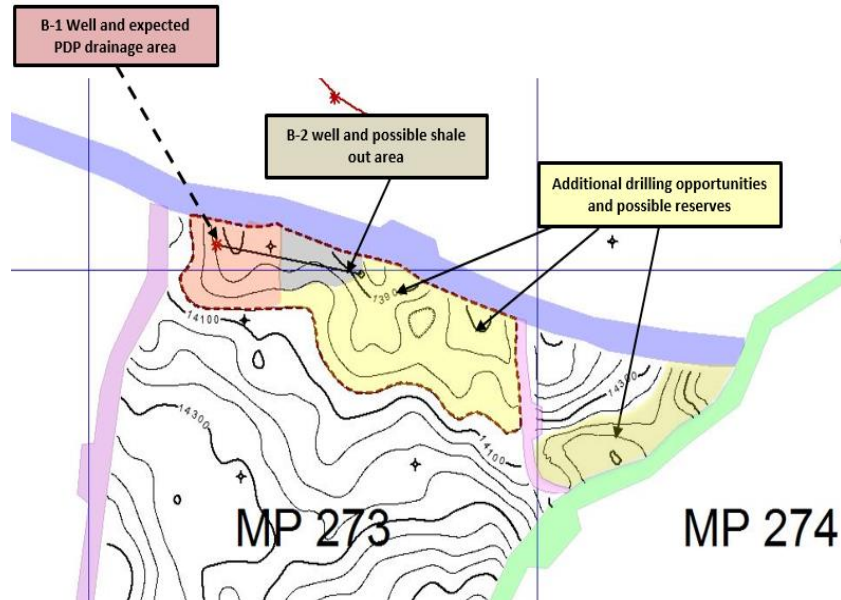
- ❖ Petsec holds a 12.5% W.I. in the Hummer Gas/Oil Field.
- ❖ The Main Pass Block 270 B-1 discovery well was drilled in June-December 2015 to a total depth of 4,800 metres (15,748') TVD to test a single reservoir with a pre-drill mapped target potential of 183 Bcf gas + 3.7 MMbbl oil.
- ❖ The well penetrated five oil & gas pay zones, one of which (the initial objective reservoir) was completed for production. First production November 2017 at 16.7 MMcfcpd and 350 bopd.
- ❖ The Hummer Field structure extends over a strike of five miles within the Main Pass Block 270, 273, 274 leases which cover 15,000 acres, in some 200 feet of water.
- ❖ Additional wells required to develop the field.
- ❖ Main Pass Block 270 B-2 appraisal/development well, drilled 2018/2019 – penetrated the two primary objectives 6,000 feet to the East of the B-1 well reached 17,570 feet MD (15,990 feet TVD) in March 2019.
- ❖ Predrill, on 1.1.2019, the reserve auditors CGA estimated 1P reserves (PDP/PUD) for the two primary objectives between the B-1 and B-2 wells to be gross 55 Bcf + 8.3 MMbbl. Petsec net NPV10 value of US\$23 million.



Main Pass Block 270 "B" Production Platform

Main Pass Blocks 270, 273, 274

B-1 Producing Sand / B-2 Well Results



- ❖ Numerous thin and stratigraphic oil and gas zones were encountered in the B-2 well.
- ❖ The two primary objective sands of the well were thin, or non-reservoir quality or absent at the well due to an unexpected shale out, and were deemed uneconomic for production. While non-commercial at the B-2, they may be present in greater thicknesses elsewhere on the structure particularly to the East.
- ❖ Post the drilling of the B-2, the area in pink on the map represents the expected PDP reserves drainage area for the single producing sand of the B1 well. Certain drainage of gas from the yellow area is also expected.
- ❖ The shale out area in grey is indicative of stratigraphic variations that impacted sand development at the B-2 well location.
- ❖ The yellow areas represent additional potential drilling opportunities across the large Hummer structural feature.
- ❖ The B-2 well has been suspended above casing at 14,000 feet MD for possible future production of the shallow gas sands.

Business Update

Yemen Operations: Block S-1 and Block 7

Damis (Block S-1) Production Licence: 100% Working Interest (82.5% Participating Interest)

- ❖ Five Oil & Gas Fields – One developed + Four undeveloped
- ❖ Developed/Productive: An Nagyah Oilfield – 19 production wells
 - Independently assessed reserves: 19.8 MMbbls oil target gross recoverable (5.6 MMbbls oil net to Petsec's 27.5% net revenue interest) – DeGolyer and McNaughton Canada Limited
 - Petsec NPV₁₀ of US\$155.4 million at 1 January 2016 based on a Brent Oil price of US\$30/bbl and 5,000 bopd trucked 580km to PetroMasila's Block 14 truck unloading facilities.
- ❖ Undeveloped: Osaylan, Harmel, An Naeem, Wadi Bayhan > 34 MMbbl oil & 550 Bcf gas gross ¹

Al Barqa (Block 7) Exploration Licence: 100% Working Interest (85% Participating Interest) ²

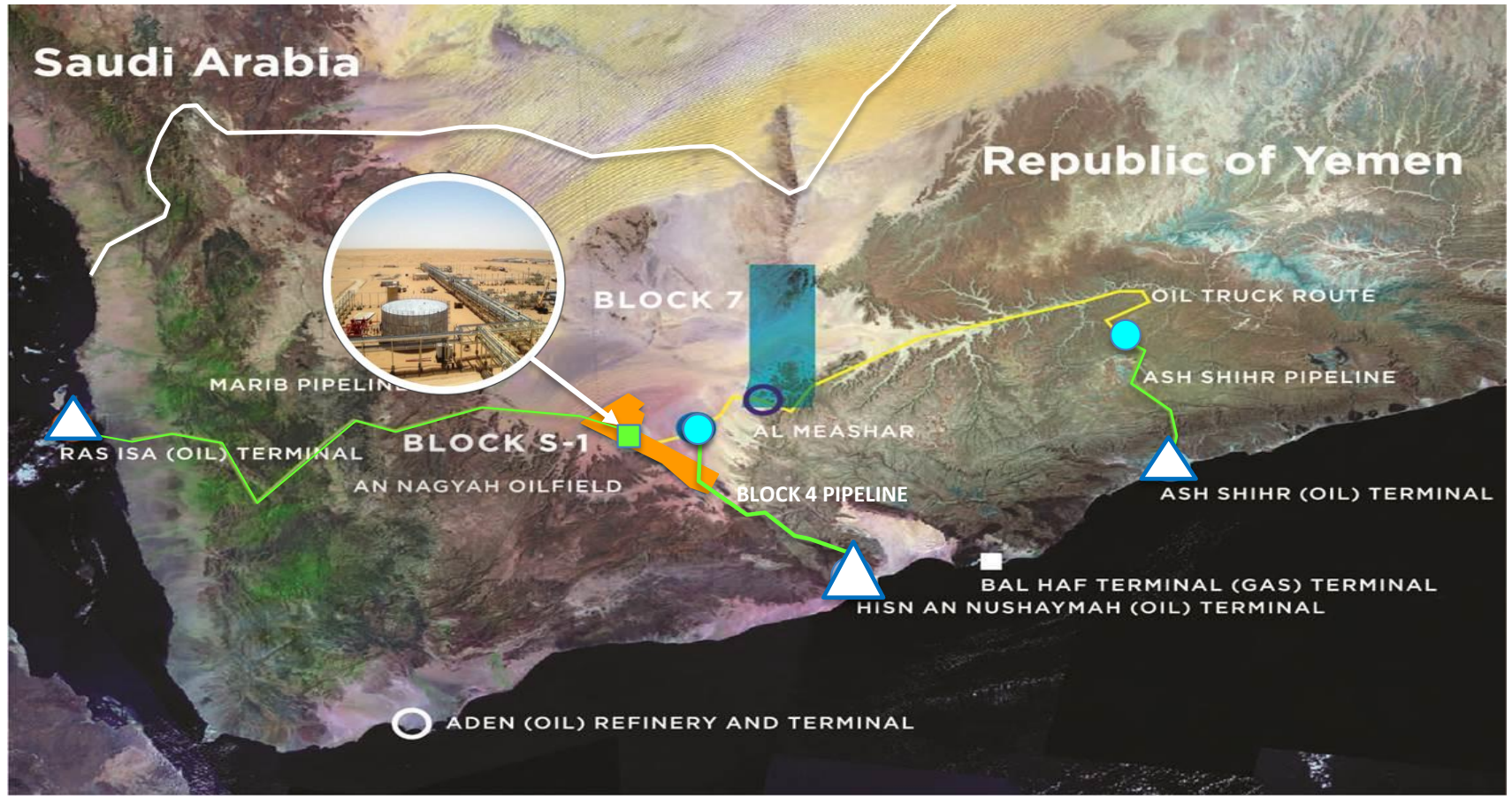
- ❖ Al Meashar: Undeveloped oil field – 2 wells tested at 200 - 1,000 bopd
 - 11 MMbbl to > 50 MMbbl Gross (9.3 MMbbl - 42.5 MMbbl net to Petsec) / Upside potential: 110 MMbbl Gross
 - NPV₁₀ of 11 MMbbl @ US\$45/bbl is estimated at US\$90MM net to Petsec
- ❖ Eight prospects / leads: Target sizes range from 2 to 900 MMbbl oil gross. Four largest prospects > 1 billion bbls

¹ Oil and gas resources as estimated by Wood Mackenzie Asia Pacific Pty Ltd

² The Company has an agreement with KUFPEC (25% W.I.) to acquire its interest in Block 7. The agreement is pending completion and is subject to customary approvals from the Government of Yemen and the Ministry of Oil and Minerals.

Business Update

Operations Yemen – Block S-1 & Block 7



Damis (Block S-1) Production Licence

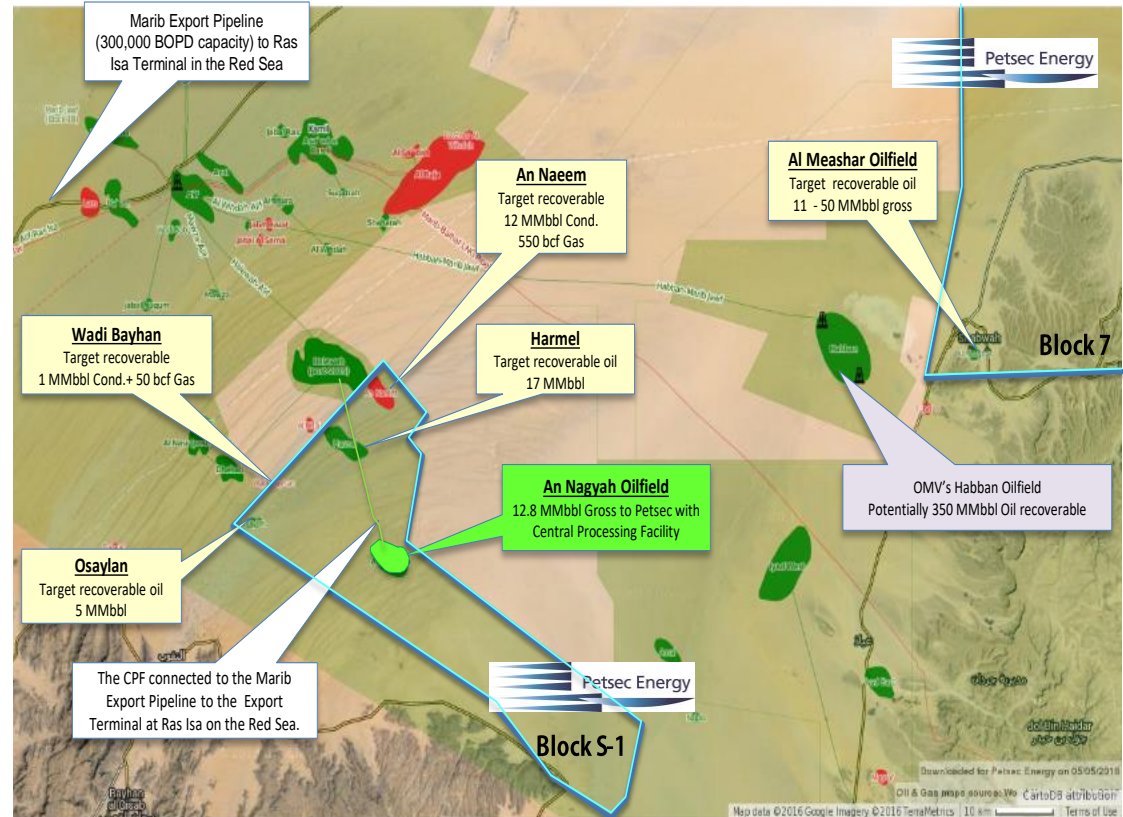
- ❖ 100% working interest (82.5% participating interest)
- ❖ An Nagyah Oilfield target gross recoverable **19.8 MMBO / Net 5.6 MMBO**
- ❖ The four undeveloped oil & gas fields hold resource potential: **> 34 MMbbl oil & 550 Bcf gas**¹

Al Barqa (Block 7) Exploration Licence

- ❖ 100% working interest (85% participating interest)²
- ❖ **Al Meashar** undeveloped oil discovery – 2 wells / target **11 MMbbl oil gross (9.3 MMbbl net)** to > 50 MMbbl potential
- ❖ Eight prospects / leads: target sizes range from 2 to 900 MMbbl oil gross.

¹ Source: Wood Mackenzie Asia Pacific Pty Ltd. NPV₁₀ based on US\$45/bbl + 2%pa escalation.

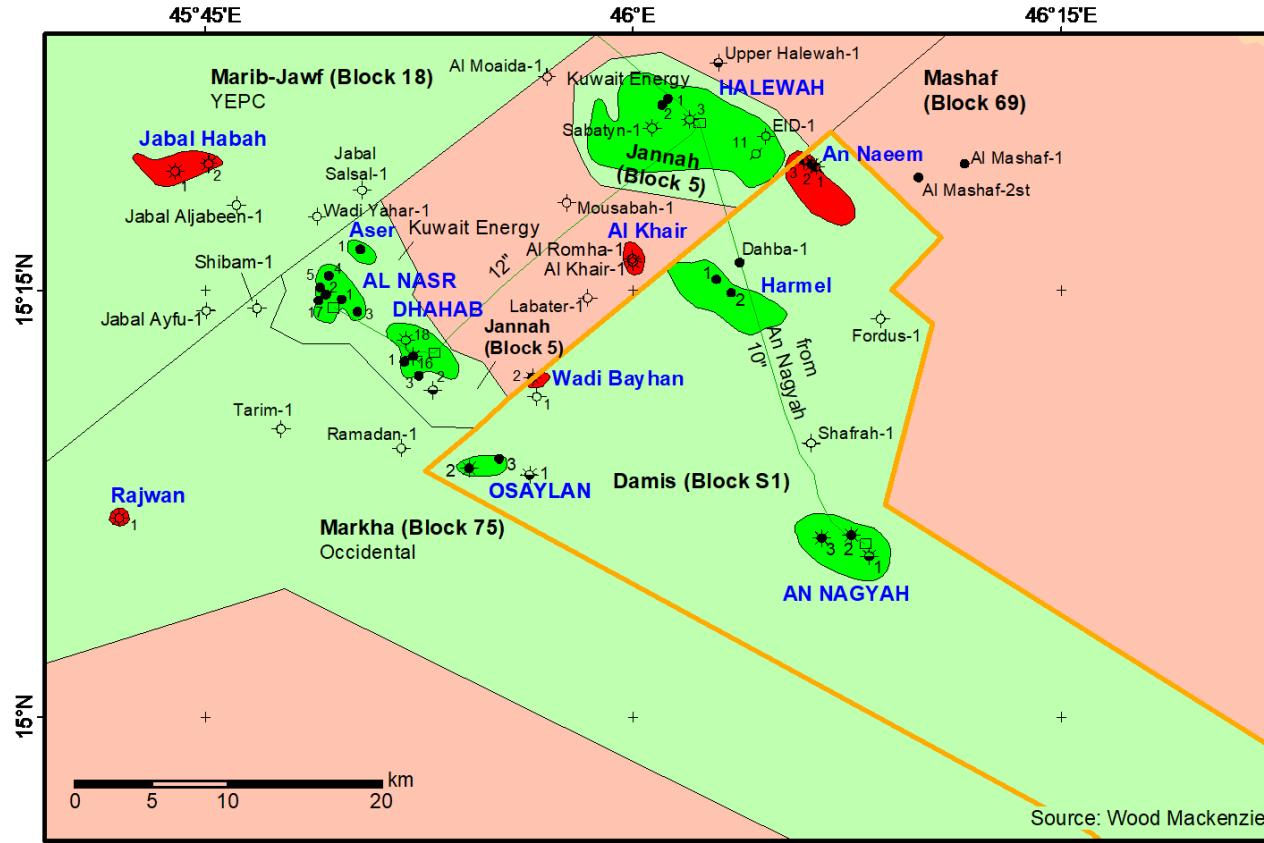
² The Company has an agreement with KUFPEC (25% W.I.) to acquire its interest in Block 7. The agreement is pending completion and is subject to customary approvals from the Government of Yemen and the Ministry of Oil and Minerals.



Business Update

Damis (Block S-1) Production Licence

Five Developed / Undeveloped Oil & Gas Fields



An Nagyah Oilfield Central Processing Facility (CPF)



- ❖ An Nagyah Oilfield initial estimated 50 MMbbl recoverable. Occidental/Vintage Petroleum developed field and CPF (20,000 bopd) Initial production 2004: Peak rate of 12,000 bopd. Suspended Feb 2014.
- ❖ Remaining gross recoverable reserves of 19.8 MMbo.

Production Restart Preparation

- ❖ Restart Budget and Programme delivered to Minister for Oil, Sep 2018 for his approval.
- ❖ Truck loading unit with 10,000 bopd capacity built, and located in Dubai.
- ❖ In-principle arrangements for the re-manning of the CPF with the Occidental field operations workforce and the subcontractors that would provide support and transport services to the field operations.
- ❖ Secured support of the local tribal and governorate leadership to restart production of An Nagyah, including secure access corridors for trucking to Block 4 export pipeline to Bir Ali.



Trucking Operation Plan

Primary Block 4 Pipeline or Backup To Block 14 Pipeline



Business Update

An Nagyah Oilfield – Re-start Status

Western Production - OMV

- ❖ OMV restarted oil production from the Habban Oilfield in April 2018, the first foreign operator to restart since the Yemen oil industry was suspended in March 2015 due to Marib/Ras Isa Oil Terminal embargo by the Saudi Coalition.
- ❖ The Coalition is currently attempting to liberate the Port of Hodeidah on the Red Sea so as to reopen the Ras Isa Oil Terminal and the Marib Pipeline which is connected to the Shabwah Basin oil producers.
- ❖ OMV is trucking over 14,000 bopd 40km South to the West Ayad Field CPF in Block-4, and from there into the 207km Bir Ali Pipeline, South East to the Bir Ali Oil Export Terminal, with 500,000 bbl storage capacity attached to a SPM which can accommodate 500,000 bbl oil tankers.

Petsec Production Re-start Planning

- ❖ Petsec Energy has submitted a Production Re-start Plan for the An Nagyah Oilfield to the Yemen Ministry of Oil and Minerals (MOM) for their review and approval to produce 10,000 bopd, trucking 70km by road East to the West Ayad/Bir Ali Pipeline in Block 4 for export at the Bir Ali terminal.
- ❖ Petsec have engaged with all stakeholders associated with production and transportation of oil from An Nagyah to the Bir Ali terminal for export.
- ❖ MOM have given 'in principal' support for our plans and is reviewing technical and financial capacity documentation provided by the Company.

Production Re-start: Government Consents

- ❖ Petsec requires MOM consent to operate a trucking project to deliver An Nagyah oil to the nearest operational point of oil storage, 70km to the East at the head of the Block 4 export pipeline which delivers the oil 207km to export facilities located at Bir Ali on the Gulf of Aden Coast.

Production Restart Preparation

- ❖ Proposed production re-start plan, technical and financial capacity documentation provided to the Ministry of Oil & Minerals (MOM) in September 2018 for review and approval of the plan to truck oil 70km to the Block 4 export pipeline to Bir Ali.
- ❖ Mr. Syed Bokhari employed with effect 1 May 2019 as Managing Director of Petsec Energy Ltd. Extensive production operations experience in Yemen in senior capacity – KUFPEC, ARCO, PPL.
- ❖ Truck loading unit with 10,000 bopd capacity built, and located in Dubai.
- ❖ Mr. Riad Fadle employed as General Manager Yemen. Previous government relations role 2002 – 2012 Vintage and Occidental – development/production of An Nagyah Oilfield.
- ❖ In-principle arrangements for the re-manning of the CPF with the Occidental field operations workforce and the subcontractors that would provide support and transport services to the field operations.
- ❖ Secured support of the local tribal and governorate leadership to restart production of An Nagyah, including secure access corridors for trucking to Block 4 export pipeline to Bir Ali.

Business Update

An Nagyah Oilfield Re-start Schedule

An Nagyah Oilfield – Production Restart Schedule

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	12 – 24 Months
Government Consents & Documentation	█						
Infrastructure Access Agreements & Transportation Contracts		█					
Workforce Re-mobilisation		█	█				
Central Processing Facility Maintenance Works		█	█	█			
Truck Loading Arm Installation & Truck Route Road Works			█	█			
Plant & Well Re-commissioning					█		
First Oil (5,000 bopd target)						★	
Increasing to 10,000 bopd target							█

Petsec Energy Future Strategy

REBUILD FOUNDATIONS

GROW AND DEVELOP

EXPAND & SUSTAIN

Roadmap

- ❖ Streamline operations and reduce general and administrative costs
- ❖ Obtain Yemen Government consents to restart production of An Nagyah Oilfield
- ❖ Work with Sing Rim to recapitalise balance sheet and monetise the U.S. and Yemen assets

- ❖ Restart production An Nagyah Oilfield, Yemen. Initial target 5,000 bopd
- ❖ Acquire developed and producing assets USA

- ❖ Increase production in Block S-1, Yemen to 10,000 bopd
- ❖ Bring Al Meashar Oilfield (Block 7, Yemen) into production
- ❖ Development drilling USA

Petsec Energy Future Strategy Funding

Future Strategy: Funding Secured Convertible Note Facility

US\$15 Million Secured Convertible Note Facility – Sing Rim Pte Limited (Registrar)

- ❖ Facility established with Sing Rim Pte Ltd (“Sing Rim”) in August 2016 to support Hummer development and restart of An Nayah Oilfield in Yemen.
- ❖ Sing Rim also major shareholder and supporter of the Company. Shown a commitment to assist the Company with recapitalising its balance sheet and monetising its U.S. and Yemen assets.
- ❖ Petsec intends to repay the facility through the monetisation of its U.S. and Yemen assets either by application of proceeds from the divestiture of assets, cashflow from production from the An Nayah Oilfield or negotiation with the Noteholders for conversion of part or all of the convertible note debt to equity.
- ❖ Key details:
 - US\$15 million facility comprised 3 tranches (US\$5 million each).
 - US\$11.5 million drawn to-date primarily to fund Hummer development.
 - US\$3.5 million of facility remaining.
 - Redemption date: 23 January 2021.

USA

- ❖ Acquire developed and produced assets with development potential, USA, largely onshore.
- ❖ Funding: Acquisitions to support debt and equity.

Yemen

- ❖ Restart production of An Nagyah Oilfield, Yemen. Initial target 5,000 bopd.
- ❖ Increase production in Block S-1, Yemen to 10,000 bopd.
- ❖ Bring Al Meashar Oilfield (Block 7, Yemen) into production.
- ❖ Funding: Equity, debt, oil prepayment facilities with key oil traders of Marib Light Crude.
- ❖ Introduce strong co-investors to Yemen. Petsec currently holds 100% working interest in Block S-1 and Block 7.

Petsec Energy Ltd

Annual General Meeting

2nd May 2019

