

Petsec Energy Ltd

March 2020 Quarter Results

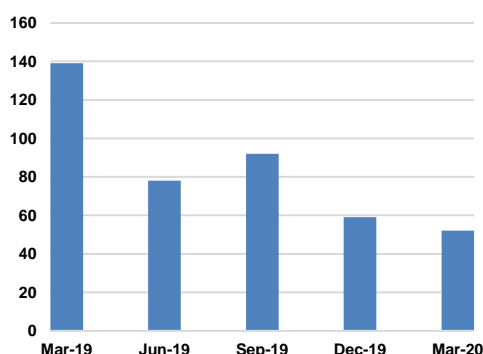


Financials

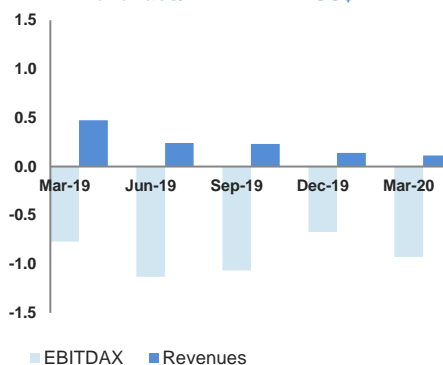
Comparative Performance		Current Quarter Mar 2020	Previous Quarter Dec 2019	% Change	Corresponding Quarter Mar 2019	% Change
Net production	MMcfe	52	59	(12%)	139	(63%)
Average sales price	US\$/Mcf	2.21	2.39	(8%)	3.40	(35%)
Net revenue	US\$000	114	141	(19%)	473	(76%)
EBITDAX ¹	US\$000	(926)	(672)	38%	(768)	21%
Cash ²	US\$000	401	691	(42%)	2,929	(86%)
Debt (convertible note) ³	US\$000	17,528	16,130	9%	14,012	25%
AE&D expenditure ⁴	US\$000	-	9	(100%)	2,518	(100%)
Closing exchange rate	USD/AUD	0.6140	0.7030	(13%)	0.7096	(13%)

- 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 and is unaudited.
- March 2020 cash includes restricted cash amounts of US\$0.1 million (Dec 2019: US\$0.1 million and Mar 2019: US\$1.9 million).
- Represents the fair value of the convertible note debt (US\$17.2 million) and the associated foreign exchange derivative liability (US\$0.3 million) recognised on the balance sheet as at 31 March 2020.
- Acquisition, exploration and development expenditure (accrual-based amounts).

Production - MMcfe



Revenues/EBITDAX — US\$m



Key Points

Corporate

- Illegitimate claim made against the Letter of Credit issued under the Production Sharing Agreement ("PSA") on the Al Barqa, Block 7 Permit.

Operations

- Net production from USA operations for the March 2020 quarter:** 52 MMcfe (46 MMcf of gas and 929 barrels of oil/condensate).
- YEMEN: Damis (Block S-1):** The Company continues to await government consents for the restart of production and access to government owned export pipelines, as is the Company's right according to the Damis (Block S-1) PSA.

Financials

- Net oil and gas revenues for the March 2020 quarter:** US\$114,000.
- US\$15 million convertible note facility as at 31 March 2020:** US\$14.0 million drawn.
- Cash balance as at 31 March 2020:** US\$0.4 million (including US\$0.1 million of restricted deposits).

Subsequent Events

- The Company entered into a voluntary suspension of trading on the ASX on 3 April 2020.
- Mr. Bokhari steps down as Managing Director of Petsec Energy Ltd on 30 April 2020.
- Closure of the Dubai office in the UAE.

Petsec Energy Ltd

ASX: PSA
OTC ADR: PSJEY

Petsec Energy is an independent oil and gas exploration and production company listed on the Australian Stock Exchange with operations in the shallow waters of the Gulf of Mexico and onshore Louisiana, USA, and the Republic of Yemen.

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Executive Chairman
Terrence Fern

Non-executive Directors
David Mortimer
Alan Baden

Management

Petsec Energy Ltd
Ross Keogh – Group CFO
Paul Gahdmar – Company Secretary &
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Corporate

As announced to the ASX on 19 February 2020, a claim was made on the Letter of Credit issued under the Production Sharing Agreement on the Al Barqa, Block 7 Exploration Permit. In Petsec's opinion the claim is fraudulent and was made by the illegitimate rebel Houthi Minister for Oil and Minerals. Despite concerted efforts by Petsec to prevent any action on the claim, the Qatar National Bank released the US\$1.68 million of restricted cash that was on deposit as collateral to support the Company's share of the Letter of Credit. Other banks also responded to the fraudulent claim and the Company is working with its legal advisors to pursue all options it has to recover the funds.

The Company was also advised by Mitsui that the Commonwealth Bank Australia had also released US\$1.05 million of AWE/Mitsui's funds in response to a similar claim. Mitsui is seeking to recover these funds from Petsec. The Company has sought further information from AWE/Mitsui and will defend any action to recover the funds.

It is understood that the QNB and CBA funds were fraudulently transferred to and are being held by Arab Bank, Amman, Jordan.

Voluntary Suspension

In early April 2020, the Company sought and was granted a voluntary suspension of trading of its shares on the ASX. The suspension was sought following the Board's consideration of the confluence of recent events affecting the Company, particularly the effects of the Coronavirus COVID-19 pandemic which has resulted in an unprecedented collapse in oil and gas prices and a lockdown of government administrative processes around the World. Further details are available in the announcement made to the ASX on 3 April 2020.

The voluntary suspension provides the opportunity for the Company to resolve its cost structure, financing, and business plan to weather the current economic storm, and to protect shareholder value.

The Company's Convertible Noteholders are supportive of the Company's actions to substantially reduce overheads and largely hibernate the Company until conditions improve and consents are gained to restart oil production in Block S-1, and/or more accessible production assets are acquired to rebuild the Company's reserves and cashflow. It is considered that a regime change is required in Yemen which will welcome foreign investment and cause restart of Yemen oil production to the betterment of the Yemeni people.

As part of the Company's plan to reorganise and enter into a period of hibernation, Syed Bokhari will step down from his position of Managing Director of Petsec Energy Ltd at the end of his 12-month engagement, on 30 April 2020. Mr. Bokhari was engaged to secure Hadi Yemen Government consents for restart of oil production in Block S-1, secure a strong JV partner and to bring the An Nayah Oilfield into production. All of which he was eminently qualified to do. The barrier to restarting oil production was the Hadi Yemen Government Oil Minister's failure to provide access consents to Government owned export transport pipelines and facilities, as is required under the Block S-1 Petroleum Sharing Agreement (PSA).

The Board would like to thank Mr. Bokhari for all his efforts over the past year.

The Company's Group Chief Financial Officer, Ross Keogh, has returned to the USA following closure of the Dubai office.

The Dubai office had been opened in 2016 in order to restart oil production in Block 1 in Yemen at the request of President Hadi to operators to restart oil production. The Company geared up to restart operations by mid-2017 but was frustrated by a lack of Ministerial access consents to government owned pipelines, contrary to the rights stated in the Block S-1 PSA. The Hadi Government through its Oil Minister has obstructed the Company from restarting oil production in Block S-1 by his failure to issue access to government owned pipelines.

The Company also plans to windup and close its U.S. business, as the Company takes the view that oil and gas prices are likely to be uneconomically low for at least 12 months. Ross Keogh will be in control of the close down of the US operations.

Further reductions in overhead costs will be effected in the corporate office in Sydney in the coming months, and actions to raise sufficient funds for the Company to operate effectively over the next 12 months. The Company's broker Martin Place Securities has been mandated to place up to \$600,000 of Petsec Energy shares in the next month at a share price of 2 cents per share, the price on the date (3 April 2020) of ASX trading suspension. \$200,000 of that amount is underwritten.

The Company is also seeking a return of \$240,000 erroneously paid to the Australian Tax Office (ATO) for employee shares which were subsequently redeemed by the Company. The ATO, was provided with expert tax opinion of the error in December, and was recently made aware of the Company's current circumstances and the need to recover those funds in short order.

Financial

Production

Petsec Energy reported net production of 52 MMcf (46 MMcf of gas and 929 barrels of oil/condensate) for the March 2020 quarter. This was 12% lower than the 59 MMcf (54 MMcf of gas and 841 barrels of oil/condensate) achieved in the December 2019.

Refer to table below and "Operations" section for further details on production from the various fields.

Net production (in MMcf)	Mar 2020 Quarter	Dec 2019 Quarter	% Increase/Decrease
Jeanerette Field – ASF No.4	-	-	-
Mystic Bayou Field – Williams No.2	10	14	(29%)
Hummer Field – Main Pass Block 270 B-1	42	45	(7%)
Total	52	59	(12%)

Revenues and Cashflow

The Company generated net oil and gas revenues of US\$114,000 for the March 2020 quarter. This was 19% lower than that achieved in the December 2019 quarter of US\$141,000 due to the lower production volumes coupled with the lower sales prices received for the current quarter.

The Company realised an average gas equivalent sales price of US\$2.21/Mcf in the March 2020 quarter (US\$53.82/bbl and US\$1.39/Mcf for its oil/condensate and natural gas production, respectively). This was 8% lower than the average gas equivalent sales price received in the September 2019 quarter of US\$2.39/Mcf (US\$58.26/bbl and US\$1.70/Mcf for its oil/condensate and natural gas production, respectively).

The Company reported negative EBITDAX of US\$0.9 million for the current quarter (previous quarter: negative US\$0.7 million).

A "Financial Summary and Production Data" table is provided on page 4 of this report.

Secured Convertible Note Facility

The Company has a US\$15 million secured convertible note facility agreement with Sing Rim Pte Ltd with a redemption date of 23 January 2021.

At 31 March 2020, the Company had drawn US\$14 million under the facility.

The Company's Convertible Noteholders have suspended access to the remaining US\$1 million under the facility which was otherwise available to the Company, pending the negotiation of a new plan of action.

The Company anticipates returning to shareholders for approval of a plan of action following negotiations with the Noteholders. This will likely happen at the Company's next AGM which has been postponed due to the COVID-19 pandemic and until a resolution has been settled with the Noteholders. In accordance with ASIC "no action" guidance the AGM will be held before 31 July 2020 and shareholders will be given due notice.

Cash Position

At 31 March 2020, the Company held cash deposits of US\$0.3 million (A\$0.6 million). The cash deposits which are predominantly held in US dollars included secured deposits of US\$0.1 million.

U.S. Oil and Natural Gas Prices

WTI crude oil prices traded in a range between US\$20.09/bbl and US\$63.27/bbl over the March 2020 quarter, closing at US\$20.48/bbl.

WTI crude oil prices collapsed in February 2020 due to the substantial reduction in World demand (estimated to be between 15 to 20 million barrels a day for much of the remainder of 2020) caused by the Worldwide government response to the COVID-19 pandemic and exacerbated by the increase in oil production by Saudi Arabia and Russia.

On 24 April 2020, the NYMEX 12 month and 36-month forward strip prices for WTI crude oil were trading at approximately US\$26.81/bbl and US\$32.17/bbl, respectively. This compares to US\$54.35/bbl and US\$52.02/bbl, respectively on 23 January 2020.

U.S. natural gas prices trended lower over the March 2020 quarter as storage levels increased due to lower demand caused by a relatively mild winter weather. U.S. natural gas spot prices traded in a range between US\$1.60/MMBtu and US\$2.18/MMBtu during the March 2020 quarter, closing the period at US\$1.64/MMBtu.

The NYMEX 12 month and 36-month forward strip prices for U.S. natural gas were trading higher on anticipation of a reduction in the level of drilling activity in the remainder of 2020 due to commodity prices and the effects of COVID-19 – approximately US\$2.46/MMBtu and US\$2.52/MMBtu, respectively on 24 April 2020. This compares to US\$2.16/MMBtu and US\$2.32/MMBtu, respectively on 23 January 2020.

The U.S. Energy Information Administration estimates for working natural gas in storage for the week ended 17 April 2020 was 2,140 Bcf. This was 827 Bcf or 63% higher than the 1,313 Bcf reported a year ago and 364 Bcf or 20.5% higher than the 5-year average of 1,776 Bcf.

Corporate

Close Down of U.S. Subsidiaries/Sale of U.S. Production Assets

The Company proposes to close its U.S. operations and offers for disposal its production assets, either directly or by sale of the operating company which holds tax losses of US\$122 million. The production assets hold substantial proved undeveloped reserves. The NPV10 at 1 January 2020 at the forward prices of that date for these assets was US\$17.5 million for 1P reserves and US\$21.9 for 2 P reserves. Parties interested should contact the Company's CFO Ross Keogh who can be contacted as follows:

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Operations

Production

USA

Adeline Sugar Factory ("ASF") No. 4 Well – Jeanerette Field

Petsec: 12.5% working interest (9.2% net revenue interest)

The ASF No. 4 well located in St. Mary Parish, Louisiana was drilled and brought into production in June 2014.

In mid-November 2015, the ASF No. 4 well was shut-in due to high water production and a restriction in the tubing due to salt build-up. The well has produced on an intermittent basis since that time, and it's the operator's intention to continue in that manner for the near-term.

16,700 RA SUA; Williams No.2 Well – Mystic Bayou Field

Petsec: 25% working interest (18.50% net revenue interest)

The 16,700 RA SUA; Williams No.2 gas/condensate discovery well on the Mystic Bayou Field in St. Martin Parish, Louisiana was drilled and brought into production on 31 August 2015.

The well averaged gross daily production rates of approximately 0.5 MMcfcpd and 10 bcpd for the March 2020 quarter. The well was offline for approximately 34 days during the quarter.

Main Pass Block 270 B-1 well – Hummer Gas/Oil Field (Main Pass 270/273/274)

Petsec: 12.5% working interest (10.26354% net revenue interest) + 0.441% ORRI

The Main Pass Block 270 B-1 well on the Hummer exploration prospect in 215 feet of water, offshore Louisiana (Federal Waters) was drilled during the second half of 2015 and brought into production on 21 November 2017.

The well averaged gross daily production rates of approximately 3.5 MMcfcpd and 66 bcpd during the March 2020 quarter. There was approximately 26 days of downtime during the quarter due to mechanical repairs on the well and facility.

MENA

YEMEN

The Company holds rights to 100% working interest in two blocks in Yemen, 80 kilometres apart in the Marib Basin - Damis Block S-1 Production Licence and Al Barqa, Block 7 Exploration Licence.

The Damis Block S-1 contains five oil and gas fields with target resources in excess of 54 million barrels of oil and 550 Bcf of natural gas. The An Nagyah Oilfield is developed with 32 wells and has associated production facilities capable of producing 20,000 bopd, connected by an 80,000 bopd pipeline to the Marib Pipeline which terminates at the Ras Isa Oil Export Terminal on the Red Sea to the West. The Marib Pipeline and Ras Isa Oil Export Terminal have been shut since March 2015 due to the Saudi Coalition embargo on oil lifting from the Port of Hodeidah because of the Rebels' control of Hodeidah.

Block 7 holds the Al Meashar oil discovery with target resources of 11 to 50 million barrels of oil.

Operations at the Company's An Nagyah Oilfield in Block S-1 continue to be shut-in while the Company seeks to secure government approvals to allow the Company to truck oil and access Yemen Government owned pipeline, storage and oil export shipping facilities in neighboring Block 4.

The operating environment in the Shabwah Governorate, within which both Block S-1 and Block 7 are located, continues to improve, allowing the publicly listed Austrian oil company, OMV, to recommence oil production in April 2018. OMV is the first foreign oil company to restart production in Yemen since the industry wide shut-in of March 2015.

OMV has maintained oil production of the order of 16,000 bopd since April 2018 in the neighboring Block S-2 from its Habban Oilfield (350 million barrels), 70 kilometres North East of An Nagyah Oilfield and 14 kilometres West of the Al Meashar oil discovery in Block 7. Habban oil is transported by truck South to the Main Oil Pumping Station (MOPS) near the West Ayad Oilfield at the head of the Block 4 export pipeline, then piped some 200 kilometres South to the Bir Ali Oil Terminal on the coast of the Gulf of Aden. Shipments of some 600,000 barrels of oil is made every 6 to 7 weeks.

Construction of a 16 inch oil transport pipeline connecting Block 5 (to which Block S-1 is connected) to the oil export pipeline of Block 4, has been completed. Pre-startup testing is currently underway. The Yemen Oil Ministry expects it to be operational by March.

The Shabwah Governate, in which Petsec's Blocks S-1 and 7 are located, is under the control of the internationally recognised Yemen Government with support from Saudi and local forces. The security position is generally good allowing for oil production by OMV, trucking oil 20 kilometres, then flowing through the 204 kilometre Block 4 pipeline to Bir Ali export terminal, and the construction of the 80 kilometre Block 5 to Block 4 oil pipeline.

Post 30 September 2019, the government run Safer Exploration Production Oil Company (SEPOC) has started production of 5,000 bopd from Block 18 and is trucking it South to Rudum Terminal at Bir Ali. This is a significant development as Block 18 is a major oil producer for the country, producing on average 35,000 bopd prior to rebel control of the Marib Export Pipeline. SEPOC's Block 18 and Petsec's Block S-1 are connected by pipeline to Block 5 which is now connected to Block 4 following recent completion of the 80 kilometre, 16 inch pipeline. Completion of this pipeline, restart of production from Block 18, and the recent declaration by the Yemen Oil Minister that Blocks 5 and S-1 will be in production in early 2020, demonstrates the government's desire to bring all fields in the Shabwah region back into production.

Al Barqa, (Block 7) Permit, Yemen

Petsec: 100% working interest (85% participating interest)

Petsec Energy acquired its interest in the period 2014-2017.

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) located approximately 340 kilometres east of Sana'a. The block contains the Al Meashar oil discovery as well as an inventory of leads and prospects defined by 2D and 3D seismic surveys with significant oil potential.

The Company has operatorship and holds a 75% working interest (63.75% participating interest) in the Al Barqa (Block 7) Joint Venture. It also has an agreement with KUFPEC to acquire their 25% working interest in Block 7 which brings the Company's potential interest in the block to 100% pending customary approvals from the Government.

Block 7 contains two suspended discovery wells in the Al Meashar oil discovery (target resource of 11 MMbbl to 50 MMbbl) which is located 14 kilometres East of OMV's Habban Oilfield which holds ultimate reserves of 350 million barrels of oil, in the same reservoir rocks as Al Meashar. In 2010-11, short-term testing of the two Al Meashar wells delivered flow rates ranging from 200 to 1,000 bopd.

The block also contains eight potential prospect/lead targets.

Damis (Block S-1), Production Licence, Yemen

Petsec: 100% working interest (82.5% participating interest)

Petsec Energy acquired 100% of the block in early 2016.

Damis (Block S-1) is located approximately 80 kilometres to the southwest of Block 7 and holds five sizeable oil and gas discoveries – the developed and productive (until suspended in 2014), An Nagyah Oilfield, and a further four undeveloped oil and gas fields – Osaylan, An Naeem, Wadi Bayhan, and Harmel.

The developed An Nagyah Oilfield has produced around 25 million barrels of oil since start of production in 2004 out of the original recoverable reserves of 50 million barrels of oil.

The four undeveloped fields hold substantial oil and gas resources in excess of 34 MMbbl of oil and 550 Bcf of gas¹ representing substantial potential future growth of reserves and production for the Company.

OMV's continuous operations to produce Habban oil at an average rate of 14,000 bopd since April 2018, and successful use of the Block 4 pipeline and oil export lifting from the Bir Ali Oil Export Terminal confirms the viability of this export route for the Company and its An Nagyah Oilfield.

The Company's plans for the restart of production at the An Nagyah Oilfield have been focused on pumping oil 27 kilometres NW to Block 5 through the existing Block S-1 10 inch pipeline and then to the Main Oil Pumping Station (MOPS) in Block 4 through the newly constructed 80 kilometre, 16 inch Block 5 to Block 4 pipeline. From MOPS, oil will be pumped 204 kilometres South to Rudum Terminal at Bir Ali.

In a recent press release made to the Yemeni news agency, Saba, the Yemen Oil Minister, Aws Al Awd, and reported widely in the Middle East, stated the legitimate Yemen Government, now located in Aden, is actively engaged in restarting and increasing oil production in the controlled areas of the legitimate Yemen Government. Chief amongst this is the Yemen Government's construction of an 80 kilometre, 16 inch pipeline connecting Jannah Hunt Block 5 to Ghareb Ayad Block 4. This pipeline connects SAFER Block 18 (35,000 bopd) to Jannah Hunt Block 5 (26,000 bopd) and Damis Block S-1 (Petsec Energy, 10,000 – 20,000 bopd) to Block 4 pipeline which runs South to Nishaima Terminal at Bir Ali on the Arab Sea.

Austrian oil company OMV has been producing some 15,000 bopd from Block S-2, into the Block 4 pipeline since April 2018. These four blocks are all of the oil producers in the Marib/Shabwah Basins and represent the largest potential oil production in Yemen.

The Yemen Government is also actively encouraging the restart of the TOTAL operated Bal Haf, 6.7 million tonne per year LNG plant.

The Company's engineers estimate the cost to restart oil production at An Nagyah at a rate of 10,000 bopd will be under US\$5 million, and would take between 6 and 12 months from the time of receipt of Yemen Government approvals to access Block 4 oil export facilities.

The Company has been seeking, since early 2017, the necessary government support and formal approvals to transport oil initially by truck to Petro Masila's Block 10 and pipe to Mukalla, then in the past year by truck to Block 4, and now via the Block 5 to Block 4 pipeline to the oil export terminal at Bir Ali through YICOM facilities at Block 4 and its Rudum Terminal. Access to these facilities are part of the Contractor's rights contained within the Block S-1 Production Sharing Agreement. Delays have been due to a lack of engagement by the Oil Minister, limited and changing Yemen administration capabilities, political changes, and security conditions.

We have engaged with the Oil Minister, His Excellency Aws Al-Awd, since his appointment in January 2018, seeking his support for the restart of production at the An Nagyah Oilfield. Documentation supporting the Company's technical and financial capabilities to restart production at the An Nagyah Oilfield was supplied to the Minister of Oil and Minerals during the September 2019 quarter for his review and approval.

Petsec Energy's Chairman, Terrence Fern and Managing Director, Syed Bokhari, met with the Yemen Minister of Oil & Minerals, Aws Al Awd, in May 2019 to share the Company's restart plans for the An Nagyah Oilfield with supporting technical and financial capabilities. The Minister showed considerable interest in the restart plan, expressing a desire to have the field in production within 6 months to coincide with the expected completion of a 16 inch oil pipeline connecting Block 5 (to which Block S-1 is already connected) to the Block 4 export pipeline. He also encouraged Petsec to seek joint venture partners to co-invest in the development of Block S-1 which holds four undeveloped fields in addition to the developed An Nagyah Oilfield.

Subsequent to the meeting with the Minister, Petsec sent a team of oil field production experts in June 2019 to the An Nagyah Oilfield in the Shabwah Province of Yemen to evaluate the condition of the facilities and prepare final production start-up plans. The evaluation team consisted of an international production facilities expert, four Yemeni oil field professionals, Petsec Energy staff, and a representative of the Yemen Ministry of Oil & Minerals.

The team found the facilities to be in good condition allowing for an early production start-up. Local staff and contractors were keen to see an early restart of production.

Final plans are complete for the production start-up that include all technical work, equipment/services required, contract support, manpower ramp up, oil transport and access to export facilities. It is expected this plan will be concluded within a month of receipt of the Yemen governments consents allowing for an immediate restart of onsite operations. It is expected that oil production can commence within 3 months of the Company's occupation of Block S-1.

In response to the Minister's wish that Petsec Energy seeks further investors in the development of Yemen oil resources, Petsec has engaged with several E&P companies interested in a joint venture partnership with Petsec Energy in Block S-1 which includes the An Nagyah Oilfield. These discussions have

been encouraging, however the lack of Oil Minister's pipeline access consents and the consequences of COVID-19 in the Middle East has frustrated potential joint venture engagement.

[لوزير-النفط-يتمتع-في-العام-الحالي-بالتفويض](https://mom-ye.com/site-en/النفط-يتمتع-في-العام-الحالي-بالتفويض)

<https://mom-ye.com/site-en/yemeni-oil-ministry-regains-the-confidence-of-foreign-companies/>

¹ Source: Wood Mackenzie Asia Pacific Pty Ltd

Proposed Activities – June 2020 Quarter

SYDNEY

Further reduction of overheads.

Raising of up to \$600,000 by way of a placement of shares at 2 cents per share.

Recovery of \$240,000 in FBT erroneously paid to the ATO.

Seek cash flow positive production assets.

USA

Closure of the Houston office and sale of its US assets.

MENA – Yemen

Continuing engagement with interested potential joint venture partners in Block S-1.

Obtaining required government consents to transport oil via Block 4 to Rudum Terminal at Bir Ali.

Closure of the Dubai office.

Financial Summary and Production Data

Unaudited preliminary financial data			Mar 2020 Quarter	Dec 2019 Quarter	% Increase/ (decrease)	Three months to Mar 2020	Three months to Mar 2019	% Increase/ (decrease)
Financials								
Net revenue	US\$000		114	141	(19%)	114	473	(76%)
Other revenue/(expense)	US\$000		6	(175)		6	(5)	
Lease operating expenses	US\$000		(287)	99		(287)	(410)	
Geological, geophysical & administrative expenses (GG&A)	US\$000		(759)	(737)		(759)	(826)	
EBITDAX	US\$000		(926)	(672)	n/a	(926)	(768)	n/a
Cash	US\$000		401	691	(42%)	401	2,929	(86%)
Debt (convertible note facility) ¹	US\$000		17,528	16,130	9%	17,528	14,012	25%
Acquisition, exploration & development expenditure								
Acquisition	US\$000		-	-		-	-	
Exploration	US\$000		-	-		-	-	
Development	US\$000		-	9		-	2,518	
Total	US\$000		-	9	(100%)	-	2,518	(100%)
Production (MMcfe)								
		W.I.	N.R.I					
USA								
Offshore Gulf of Mexico								
Main Pass Block 270 (Hummer)		12.5%	10.70454% ²	42	45	42	116	
Onshore Louisiana								
Mystic Bayou Field		25%	18.5%	10	14	10	23	
Jeanerette Field		12.5%	9.0%	-	-	-	-	
Total			MMcfe	52	59	52	139	(63%)
Unit revenue/cost analysis per Mcfe (US\$)								
Oil/Condensate per barrel	US\$		53.82	58.26	(8%)	53.82	56.13	(4%)
Gas per Mcf	US\$		1.39	1.70	(18%)	1.39	2.74	(49%)
Average sales price per Mcfe	US\$		2.21	2.39	(8%)	2.21	3.40	(35%)
Other revenue/(expense) per Mcfe	US\$		0.12	(2.97)		0.12	(0.04)	
Lease operating expense per Mcfe	US\$		(5.52)	1.68		(5.52)	(2.95)	
GG&A expense per Mcfe	US\$		(14.60)	(12.49)		(14.60)	(5.95)	
EBITDAX per Mcfe	US\$		(17.79)	(11.39)	n/a	(17.79)	(5.54)	n/a

¹ Represents liability recognised on the balance sheet at period end in respect of the convertible note debt and the associated foreign exchange derivative liability.

² Comprises N.R.I.:10.26354% and ORRI: 0.441%.

Glossary

Bcfe = billion cubic feet of gas equivalent
 bopd = barrels of oil per day
 Mcfe = thousand cubic feet of gas equivalent
 MMcfe = million cubic feet of gas equivalent
 TVD = True Vertical Depth

bcpd = barrels of condensate per day
 bwpd = barrels of water per day
 MD = Measured Depth
 MMcfcpd = million cubic feet of gas per day

boe = barrels of oil equivalent
 Mcf = thousand cubic feet of gas
 MMbbl = million barrels
 TD = Total Depth

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Certain statements in this report regarding future expectations and plans of the Company may be regarded as "forward-looking statements". Although the Company believes that its expectations and plans are based upon reasonable assumptions, it can give no assurance that its goals will be met. Actual results may vary significantly from those anticipated due to many factors, including oil and gas prices, operating hazards, drilling risks, environmental risks and uncertainties in interpreting engineering and other data relating to oil and gas reservoirs, as well as other risks.