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28th May 2021

Petsec Energy Ltd 2021 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, Terrence Fern, and Technical Director, Brent Emmett, at the 2021 Annual General Meeting ("AGM") of members of Petsec Energy Ltd, held at the Boardroom Pty Limited premises, Level 12, at 225 George Street, Sydney.

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

The Company's reserve assessments provided within this address are based on the information contained within the announcements released to the ASX on 24th February 2020 and reproduced in the 2020 Annual Report.

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

This announcement is authorised for market release by the Board of Directors of the Company.

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Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations onshore in the Republic of Yemen.

Petsec Energy Ltd

Annual General Meeting 2021



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). Reserve estimates provided within this presentation are based on information contained within the announcements released to the ASX on 24 February 2020 and reproduced in the 2020 Annual Report.

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Capital Structure

- ❖ Company was established **7th December 1967**.
- ❖ Listed on ASX – shares have been in voluntary suspension since 3 April 2020.
- ❖ **408,587,924** shares on issue on the ASX as at 28 May 2021.
- ❖ **20,200,000** options on issue.
- ❖ **A\$8.2 million** market capitalisation (2.1 cents per share) on date of suspension 3 April 2020.
- ❖ **1,730** shareholders.
- ❖ Top 20 shareholders own **71.3%**.
- ❖ Longstanding and supportive **shareholders:**
 - Sing Rim Pte Limited ^{1 & 2} 29.7%
 - Board and Management 11.3%
 - Martin Place Securities Nominees 9.6%

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

2. This holding will increase to 41.2% following the issue of 80 million shares as fees for the variation of the terms of the convertible note facility in 2019 & 2021.

Board of Directors – New Appointments to the Board



Terrence Fern
Executive Chairman

- ❖ Over 40 years experience in petroleum & minerals exploration, development and financing.
- ❖ A Geophysicist.
- ❖ Bachelor of Science Degree from University of Sydney.



Brent Emmett
Technical Director

- ❖ Appointed 13 November 2020.
- ❖ Bachelor of Science Degree (First Class Honours) in Physics and Geophysics from Adelaide University.
- ❖ Over 40 years' experience in petroleum exploration, exploration and production management and investment banking.
- ❖ Ex Exploration Manager Ampolex, Managing Director of CIBC World Markets, CEO and Managing Director of Horizon Oil..



Barry Dawes
Non-executive Director

- ❖ Appointed 30 September 2020.
- ❖ Graduate of Sydney University in Geology.
- ❖ Over 40 years' experience in the resources investment sector.
- ❖ Ex senior executive BT Australia, equities research Deutsche Bank, and equities research and corporate finance Macquarie Bank.
- ❖ Founder and principal of Martin Place Securities.



Francis Douglas Q.C.
Non-executive Director

- ❖ Appointed 30 September 2020.
- ❖ Graduate of University of Queensland and the University of Cambridge in Law.
- ❖ Has been a member of the NSW Bar since 1975 and a Q.C. since 1988.
- ❖ He has practiced in all areas of commercial law including international commercial arbitration and he has extensive experience in mineral and oil and gas related matters.

COVID-19 Plan & Voluntary Suspension on ASX

❖ COVID-19 Plan

- Plan established in March 2020 in response to the pandemic, in consultation with noteholders and largest shareholders.
- To reorganise the Company and enter into a period of hibernation to protect shareholder value and weather the economic storm caused by the pandemic.
- The plan required:
 - A substantial reduction in the cost of operation ✓
 - Restructure of the Company's financing ✓
 - Amendment of business plan to concentrate on the most valuable of the Company's assets – the An Nagyah Oilfield in Damis Block S-1, Yemen ✓

❖ Voluntary Suspension on ASX

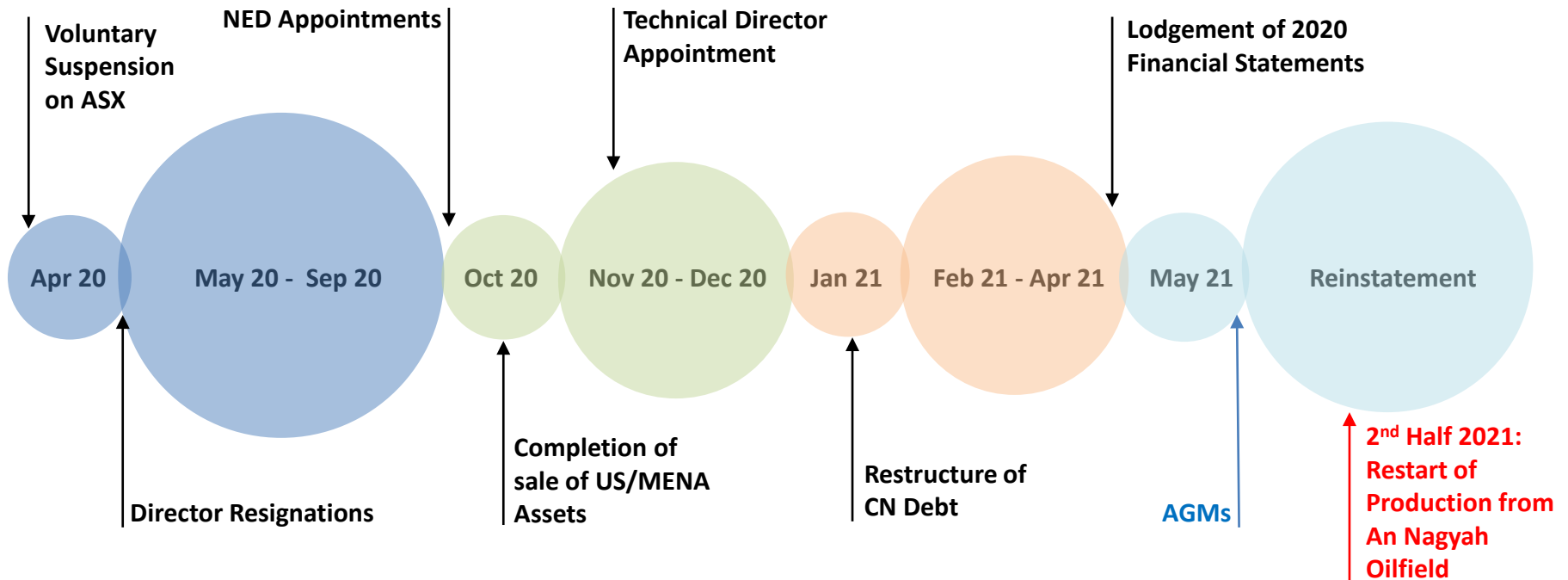
- The Company entered into a voluntary suspension on ASX on 3 April 2020.
- Provided time to allow the Company to effectively implement and execute its COVID plan.
- The Company will seek a reinstatement to quotation when the An Nagyah Oilfield is returned to production; expected during second half of 2021.

COVID-19 Plan: Achievements 2020

1. **Office closures:** Dubai, Sana'a, Houston and Sydney.
2. **U.S. assets sold:** U.S. and Canadian businesses closed.
3. **Block S-1, Yemen:**
 - Operatorship and a 75% working interest sold to a financially and technically strong Yemen oil producer acceptable to the Yemen Minister for Oil and Minerals, so as to allow restart of oil production from the An Nagyah Oilfield.
 - Petsec Energy retained a carried 25% interest for both operations and development.
4. **Convertible note debt restructured:**
 - Term extended for three years from 23 January 2021 to 23 January 2024.
 - Interest rate reduced from 15% to 10% per annum.
 - Dedication of 80% of future cashflows to repay the Convertible Notes.
 - At 10,000 bopd and US\$60/bbl Brent oil, the convertible debt facility can be repaid within two years of production from the Company's 25% carried interest in the An Nagyah Oilfield, Block S-1.

Corporate Overview

Emerging from Voluntary Suspension on ASX



2020 / 2021 Strategy: Focus on monetisation of MENA assets

❖ Sale of U.S. assets

- Active in the USA since 1989, drilling over 100 wells (success rate of > 74%), resulting in discovery of > 30 oil and gas fields, total reserves of 450 Bcfe and production of 217 Bcfe.
- U.S. assets sold for US\$600,000 and all associated liabilities transferred to the buyer with an effective date of 1 July 2020.

❖ Maximise the value of current oil reserves onshore ,Republic of Yemen.

○ Damis Block S-1 Production Licence (25% carried interest)

- Secured a financially strong and experienced Yemen oil producer to operate Block S-1.
- Restart and optimise production from the developed 25 MMbbl An Nagyah Oilfield and develop the 35 MMbbl and 600 Bcfg in the four other discovered, undeveloped fields on the block.

○ Al Barqa Block 7 Exploration Licence (75% interest & operatorship)

- Recovery of the Block 7 LoC monies currently held by Arab Bank (US\$2.73 million).
- Seek farm-out partner to production test and develop the Al Meashar Oilfield discovery and drill test the eight prospects/leads established on the block.

❖ Continue to review other oil and gas production opportunities.

Divestiture of 75% interest & operatorship in Block S-1

❖ Rationale

- Company had been seeking government approvals since 2017 to access government owned export transport facilities, as is required according to the Block S-1 Petroleum Sharing Agreement, so as to restart oil production from the An Nayah Oilfield.
- In late 2019, the then Yemen Oil Minister indicated that those approvals were predicated on the Company securing a financially strong and experienced Yemen oil producer to operate Block S-1.

❖ Transaction

- Sold 100% of shares in Yemen (Block S-1), Inc., the operator company and 75% interest holder, to Yung Holdings Limited, a subsidiary of Octavia Energy Corporation, a UK company, active in Yemen since 2016.
- Extensive operating experience in the MENA region with current production > 6,500 bopd.
- Consideration received of US\$2 million and a life of licence carry of all operating and development costs in Block S-1 of the remaining 25% interest held by the Company's wholly owned subsidiary, West Yemen Oil (Block S-1), Inc.
- Sale completed October 2020. Effective date 1 January 2020.

Corporate Strategy Scorecard

REBUILD FOUNDATIONS

- ❖ Sold U.S. assets, streamlined operations and reduced general & administrative costs ✓
- ❖ Secured financially strong and experienced Yemen oil producer to operate the Damis (Block S-1) Production Licence ✓
- ❖ Worked with Sing Rim to monetise the U.S. and Yemen assets and extend the convertible note facility ✓

GROW AND DEVELOP

- ❖ Restart of production from the An Nagyah Oilfield in Damis (Block S-1), Yemen. Initial production rate of 5,000 bopd.
- ❖ Pay down of convertible note facility from An Nagyah Oilfield cashflows.
- ❖ Development of four other discovered undeveloped fields on Damis (Block S-1).
- ❖ Seek a farm-out of the Al Barqa Block 7 project.

EXPAND & SUSTAIN

- ❖ Increase production in Block S-1, Yemen to 10,000 bopd
- ❖ Bring Al Meashar Oilfield (Block 7, Yemen) into production
- ❖ Seek other oil and gas opportunities.

Funding strategy

- ❖ Restart production of An Nagyah Oilfield, Damis Block S-1, Yemen. Initial target 5,000 bopd.
- ❖ Increase production in Block S-1 to 10,000 bopd.
- ❖ Apply 80% of the Company's net share of An Nagyah Oilfield production cashflows towards the repayment of the convertible note facility.
- ❖ At 10,000 bopd and US\$60/bbl Brent oil, the convertible debt facility can be repaid within two years of production from the Company's 25% carried interest in the An Nagyah Oilfield.
- ❖ Pursue recovery of Block 7 LoC monies of US\$2.73 million held with Arab Bank, Jordan.
- ❖ Seek a farmout partner for the Al Barqa Block 7, Yemen project, to help develop the Al Meashar Oilfield and drill test the eight prospects and leads defined by 3D and 2D seismic.
- ❖ Bring the Al Meashar Oilfield, Block 7, into production.
- ❖ Seek other oil and gas opportunities outside of Yemen to support debt and equity.

FY2020 Year in Review

Key Performance Indicator	FY2020 Result	Change on previous year
Net production ¹	111 MMcfe	Down 70%
Average sales price	US\$1.81/Mcfe	Down 39%
Net Revenue ¹	US\$0.2MM	Down 82%
EBITDAX	(US\$0.9MM)	n/a
Net profit after tax ²	US\$1.3MM	n/a
Cash position at 31 December 2020	US\$0.9MM	Up 32%
Debt at 31 December 2020	US\$20.2MM	Up 28%
Net Proved and Probable (2P) oil & gas reserves 1 January 2021 ³	1.4 MMboe	Down 83%

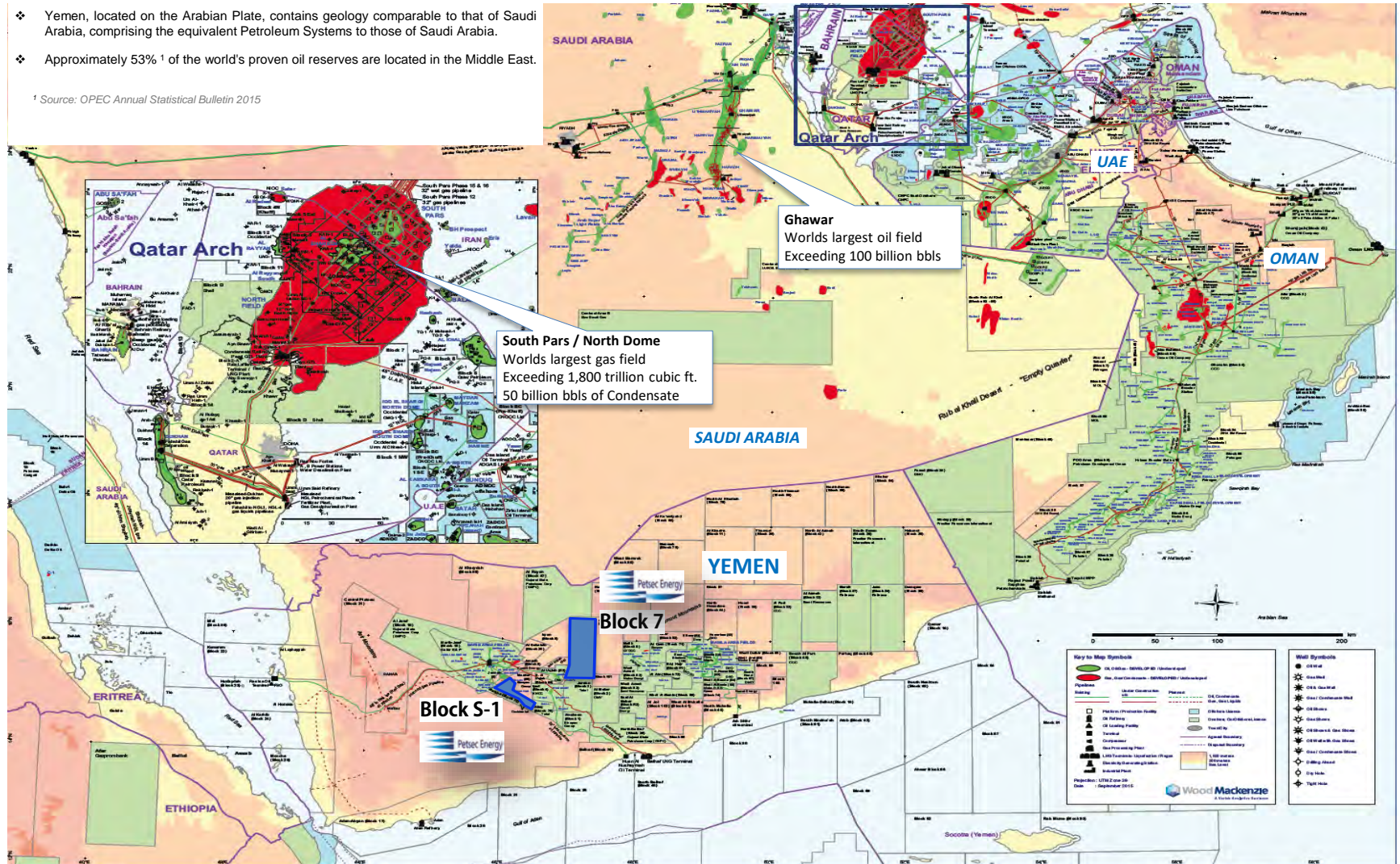
1. Production and revenues were significantly reduced compared to the previous year, due to prolonged maintenance shutdowns in the six months production period prior to the sale of the U.S. oil and gas interests, effective 1 July 2020.
2. Profit after tax includes net gain on disposal of assets and subsidiaries of US\$9.4 million; offset by impairment expense of US\$3.7 million (USA) and net financial expense of US\$3.6 million (CN debt).
3. DeGolyer and McNaughton Canada Limited, reserve engineers, in 1.1.2016 for a 25% interest, net of all costs and taxes, in 19.8 MMbbls of remaining recoverable reserves from production of 12.8 MMbbls over a period of 10 years, at 5,000 bopd declining, US\$30/bbl forward Brent pricing, and trucking crude oil 580 kilometres to Block 14, Masila Basin.

Company intends to commission a new reserves report after the resumption of production.

MENA – Worlds largest oil & gas reserves

- ❖ Yemen, located on the Arabian Plate, contains geology comparable to that of Saudi Arabia, comprising the equivalent Petroleum Systems to those of Saudi Arabia.
- ❖ Approximately 53%¹ of the world's proven oil reserves are located in the Middle East.

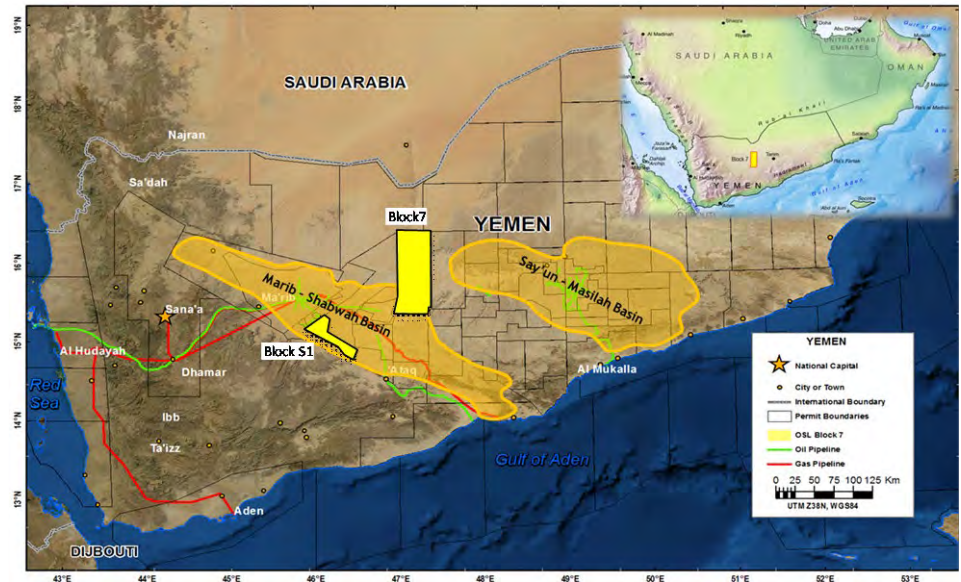
¹ Source: OPEC Annual Statistical Bulletin 2015



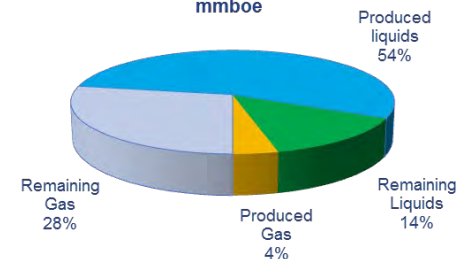
Shabwah Basin: Damis Block S-1 & Al Barqa Block 7

Yemen Exploration & Production History

- ❖ Little exploration until early 1980's
- ❖ 1984 first commercial discovery was made by Hunt Oil in the Marib Basin with the Alif #1 well (Block 18) which averaged 8,000 BOPD
- ❖ 1991 Canadian Occidental (Nexen) made a discovery in Masilah Basin with Sounah #1 (Block 14)
- ❖ Yemen held estimated recoverable reserves of 5.3 billion BOEs of which 2.2 billion BOEs remain to be produced
- ❖ Most of the estimated 3.1 billion BOEs produced to date has come from the Masilah Basin in the East and the Marib Basin in the West
- ❖ Yemen peak production ~ 440,000 BOPD in 2001.
2014 ~ 100,000 BOPD, prior to country wide shut-in March 2015 due to civil war.
- ❖ Petsec believes the majority of remaining producible reserves in Yemen will come from the Shabwah Basin.
- ❖ The Shabwah Basin is under explored, in comparison to the Marib and Masilah basins.

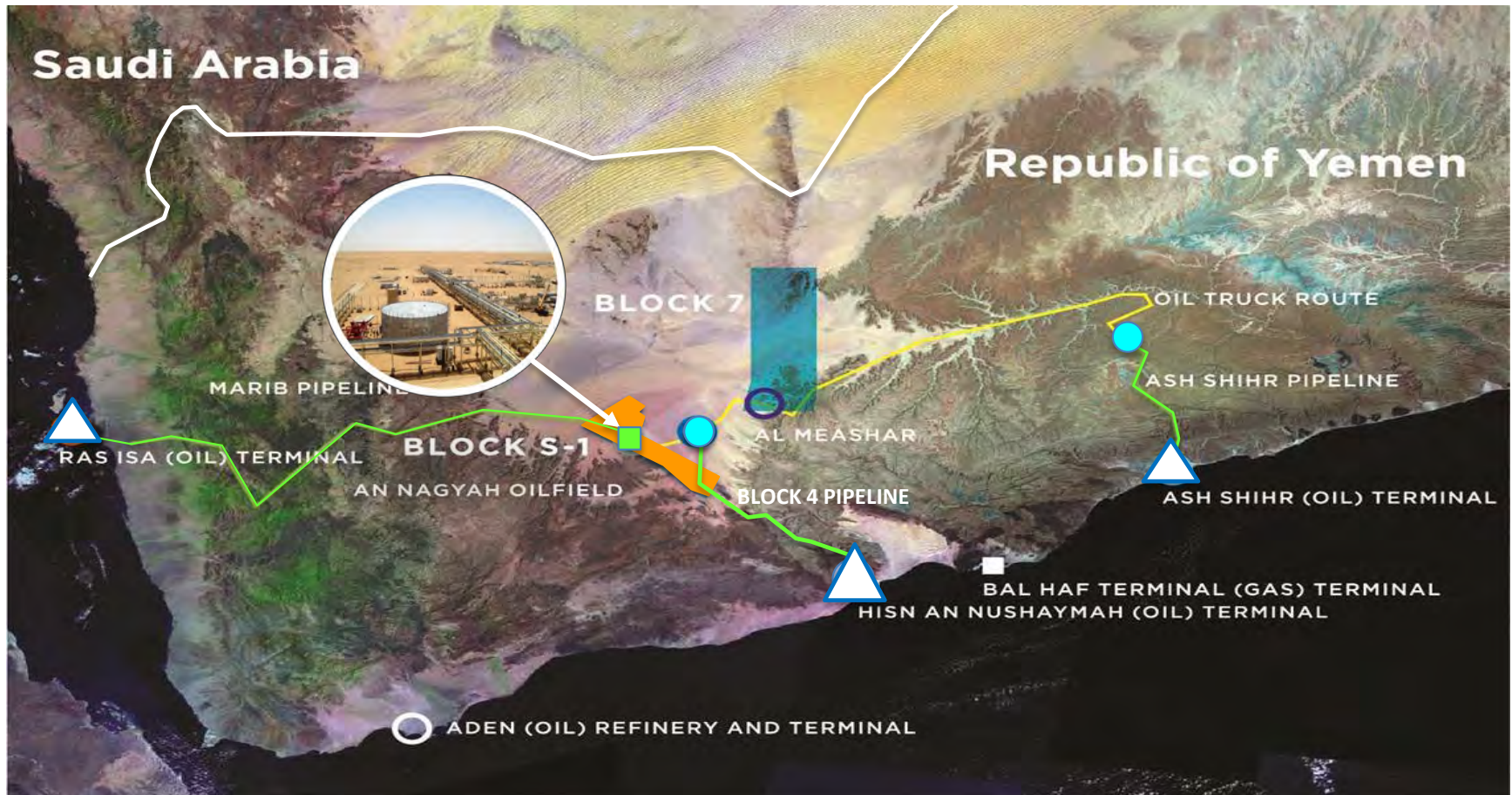


Total Initial Recoverable reserves = 5,297 mmboe



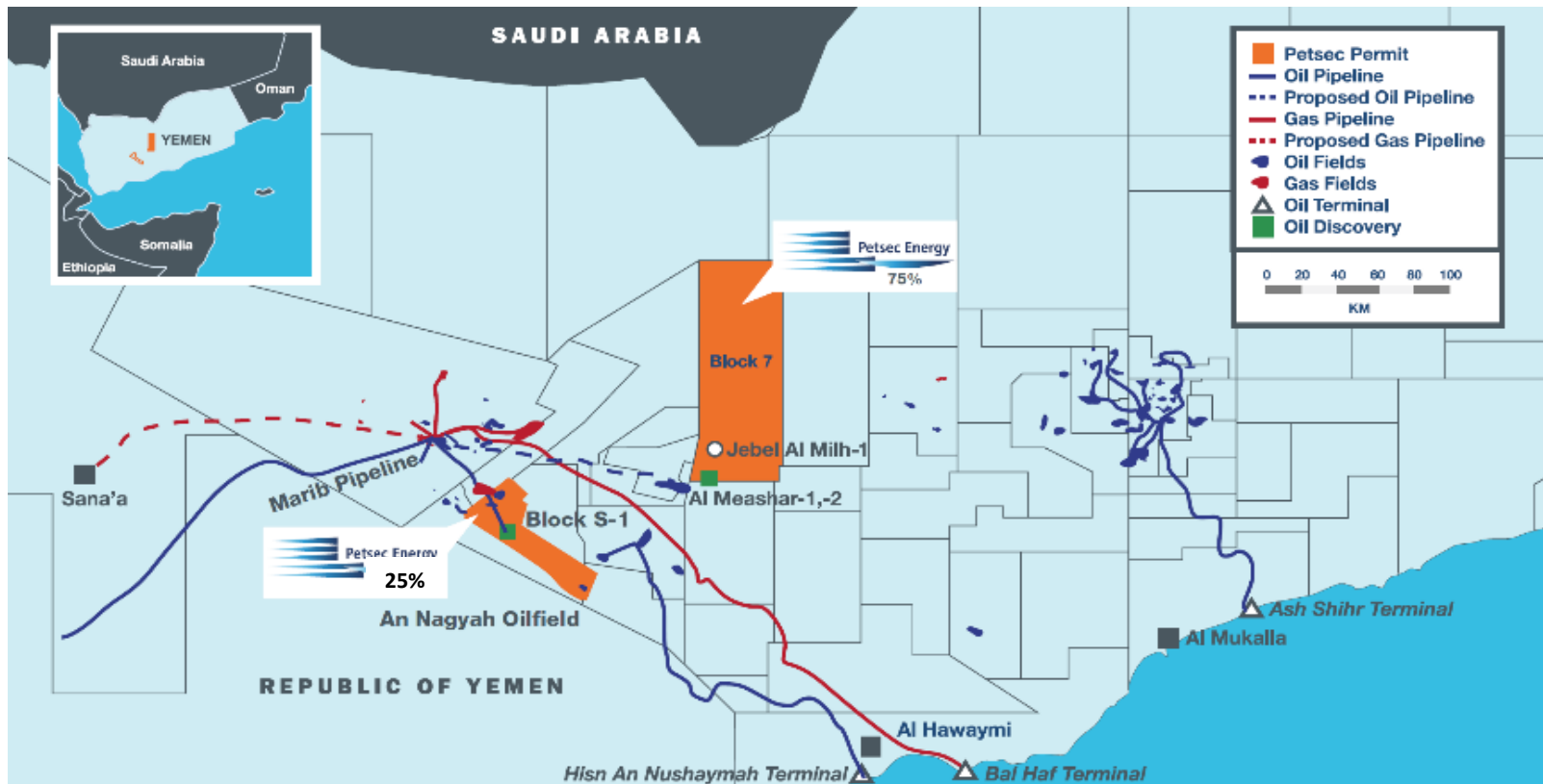
Source: (Wood Mackenzie)

Damis Block S-1 & Al Barqa Block 7



Damis Block S-1 & Al Barqa Block 7

- ❖ **Damis Block S-1 Production Licence** and the **Al Barqa Block 7 Exploration Licence** are both located in the Shabwah Basin which has extensive oil production and pipeline transportation facilities.
- ❖ The Shabwah Basin has exceptional petroleum source rocks and associated petroleum system, in excess of 2 billion barrels of oil have been discovered in the basin to date.
- ❖ **Damis Block S-1** includes five oil and gas fields (~ 60 MMbbls + 600 Bcfg) with significant production infrastructure and is connected to both the Marib and the Block 5 to Block 4 Export Pipelines.
- ❖ **Al Barqa Block 7** holds the Al Meashar Oilfield and eight prospects and leads strategically located adjacent to major infrastructure and planned future pipelines.



Damis Block S-1 & Al Barqa Block 7

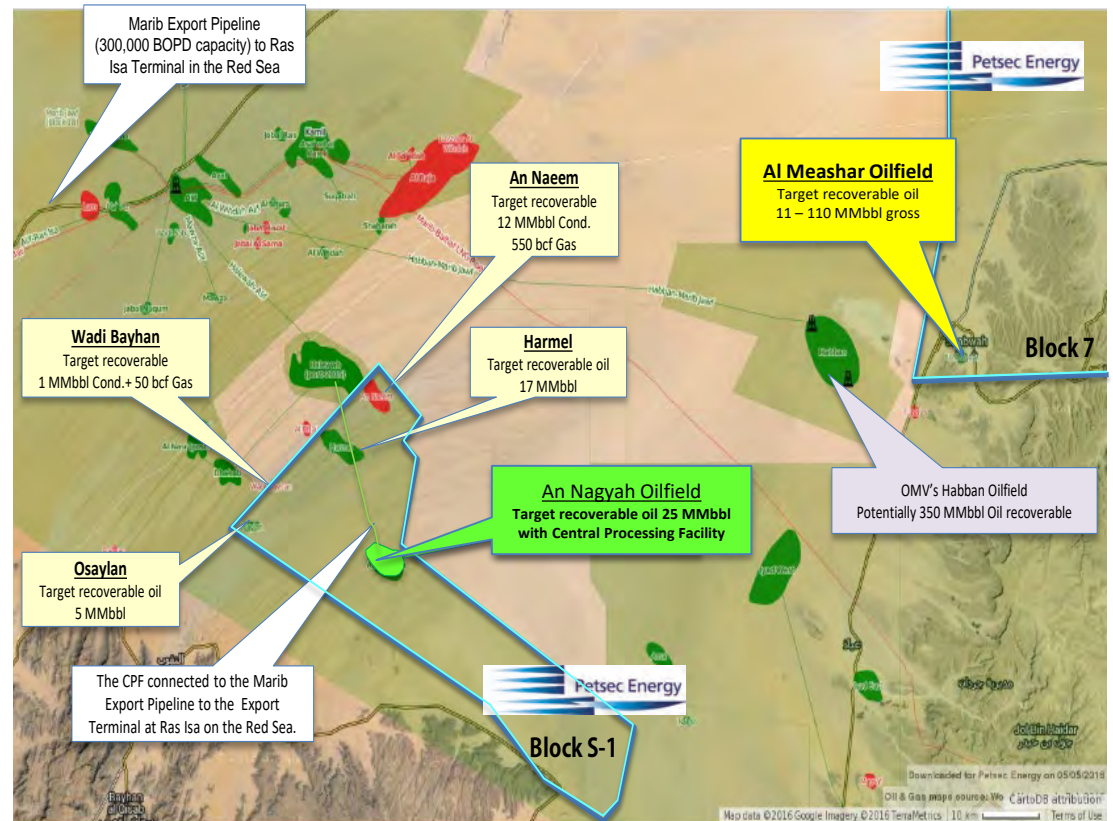
Marib-Shabwah Basin Production: 2 billion bbls oil; 10 TCF gas discovered

Damis Block S-1 Production Licence

- ❖ 25% working interest (20.625% participating interest).
- ❖ Developed An Nagyah Oilfield has produced ~ 25 MMbbl since start of production in 2004 out of the original recoverable reserves of 50 MMbbl gross ¹
- ❖ Four undeveloped oil & gas fields (An Naeem, Harmel, Osaylan & Wadi Bayhan) hold target resources of 35 MMbbl oil and 600 Bcf gas gross.

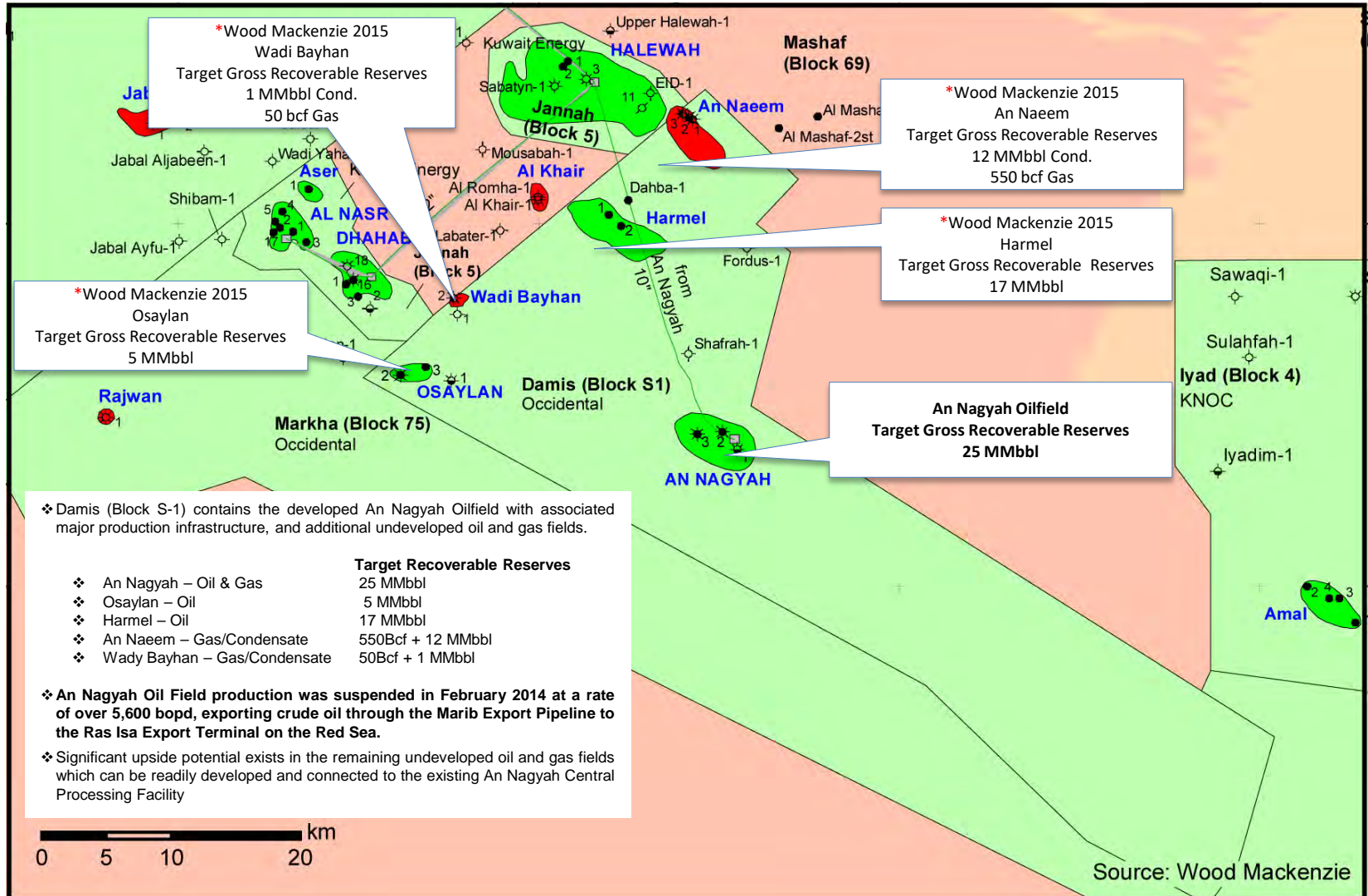
Al Barqa Block 7 Exploration Licence

- ❖ 75% working interest (63.75% participating interest).
- ❖ Al Meashar undeveloped oil discovery – two wells / target resource 11 MMbbl to 110 MMbbl oil gross.
- ❖ Eight prospects / leads with the four largest prospects ranging in target size from 164 to 439 MMbbl oil gross.



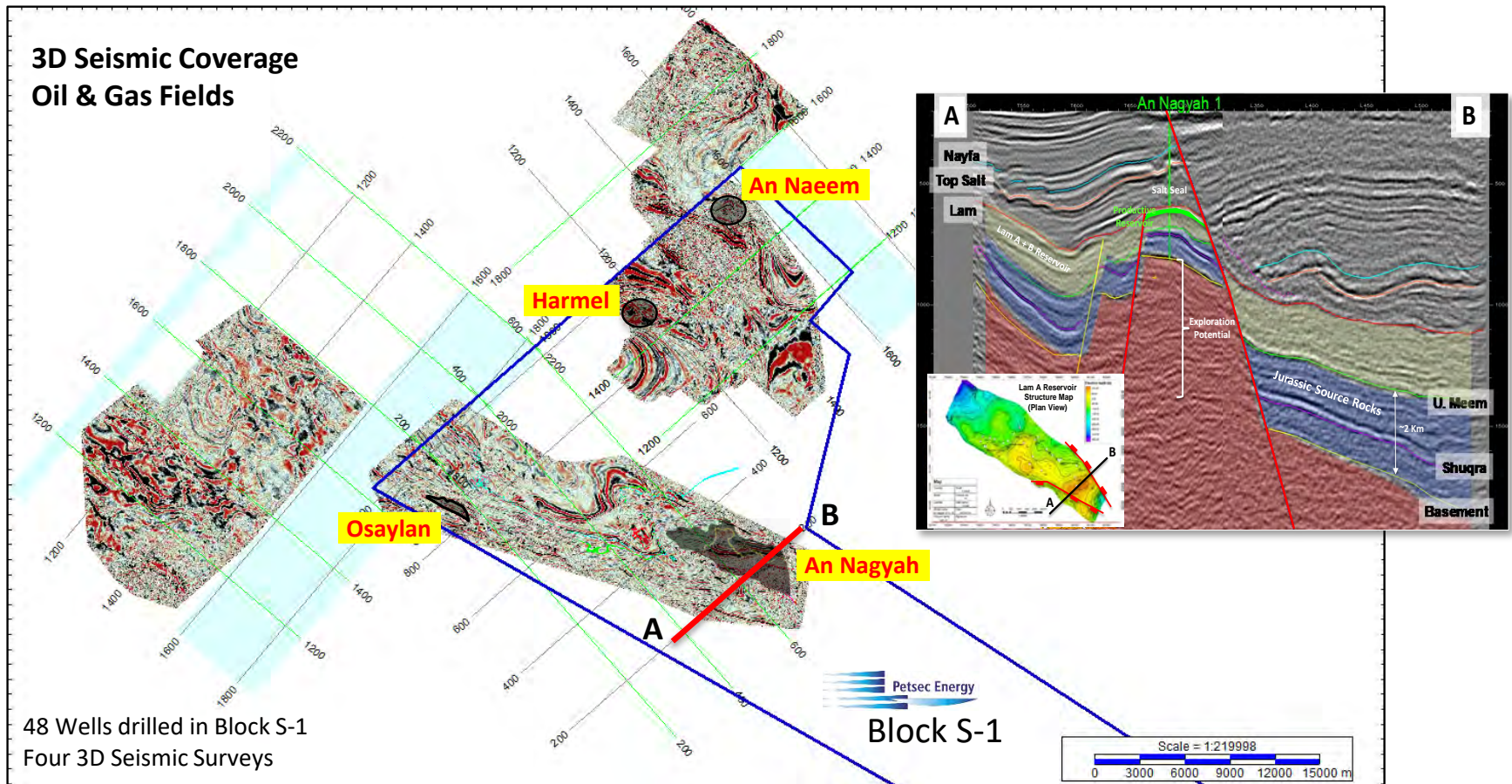
1. Based on estimates by previous operator and DeGolyer and McNaughton Canada Limited. The Company intends to commission a new reserves report after the resumption of production.

Damis Block S-1: An Nagyah Oilfield



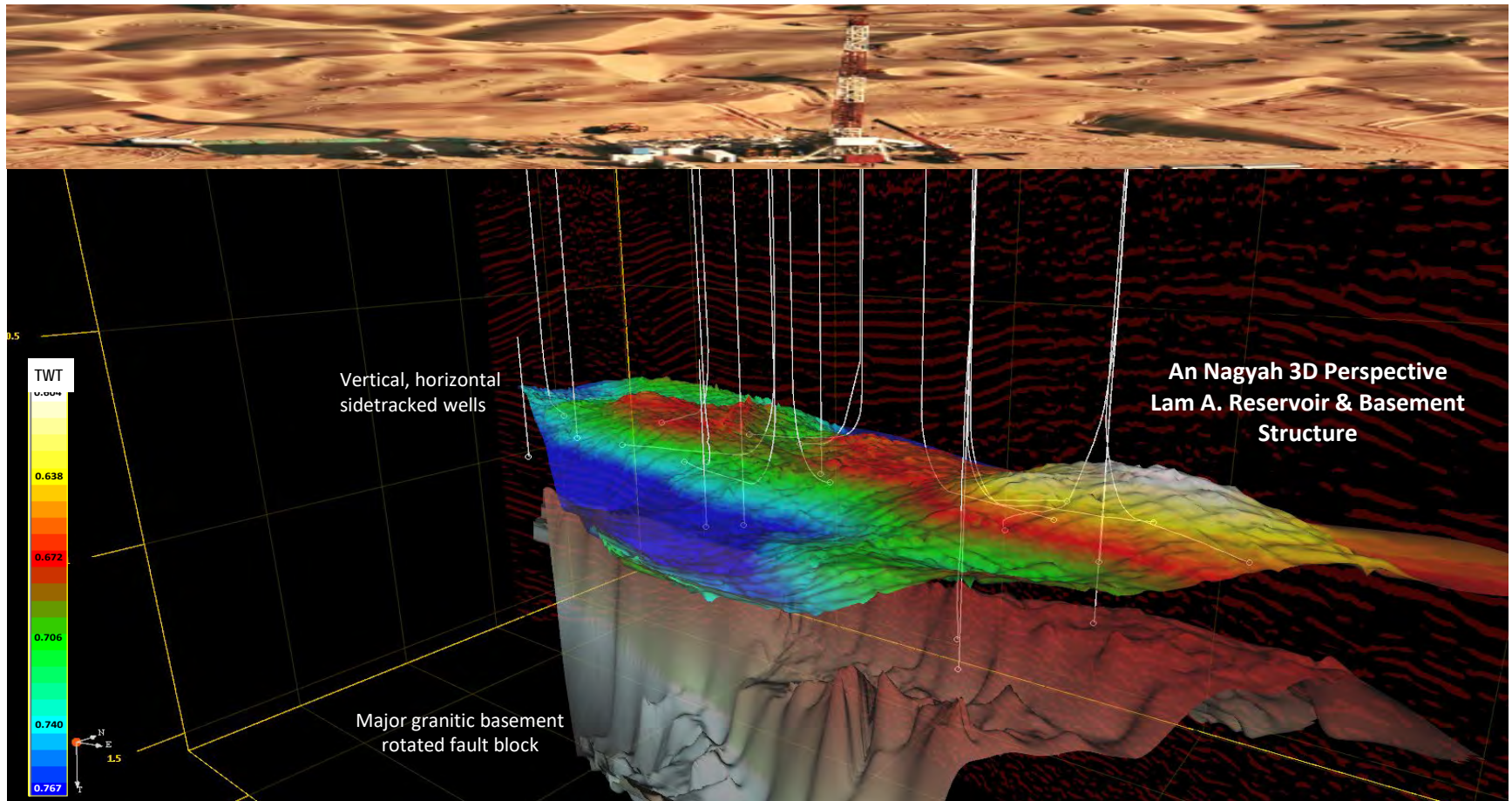
Damis Block S-1

Subsurface: 3D Seismic Data Cubes



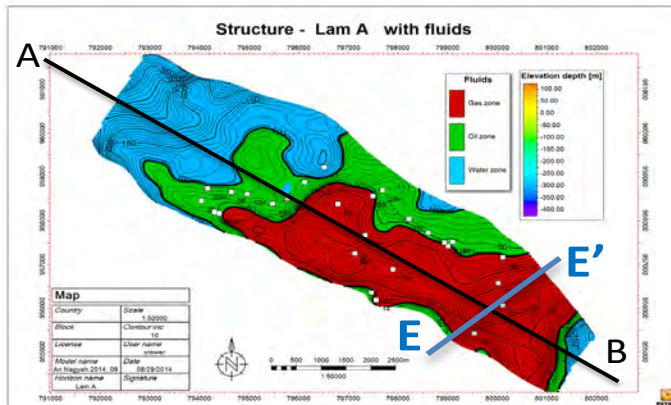
An Nagyah Oilfield: Subsurface

Subsurface: 3 Dimensional Seismic Cube

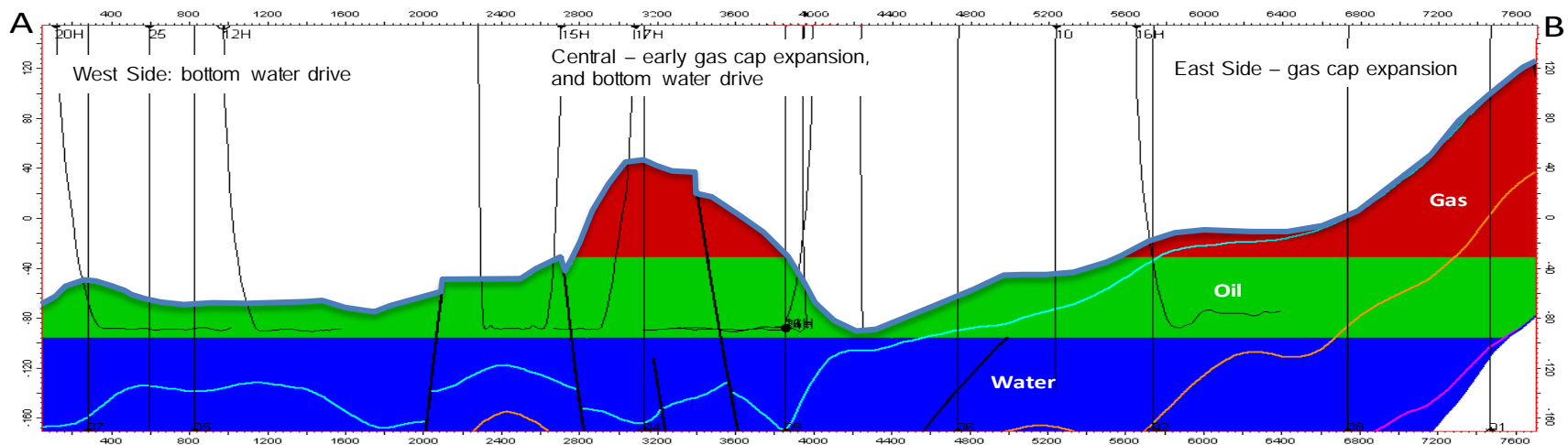


An Nagyah Oilfield

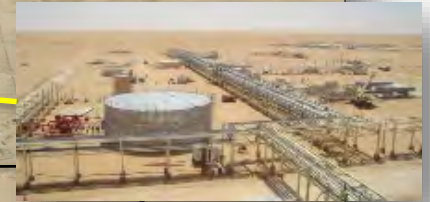
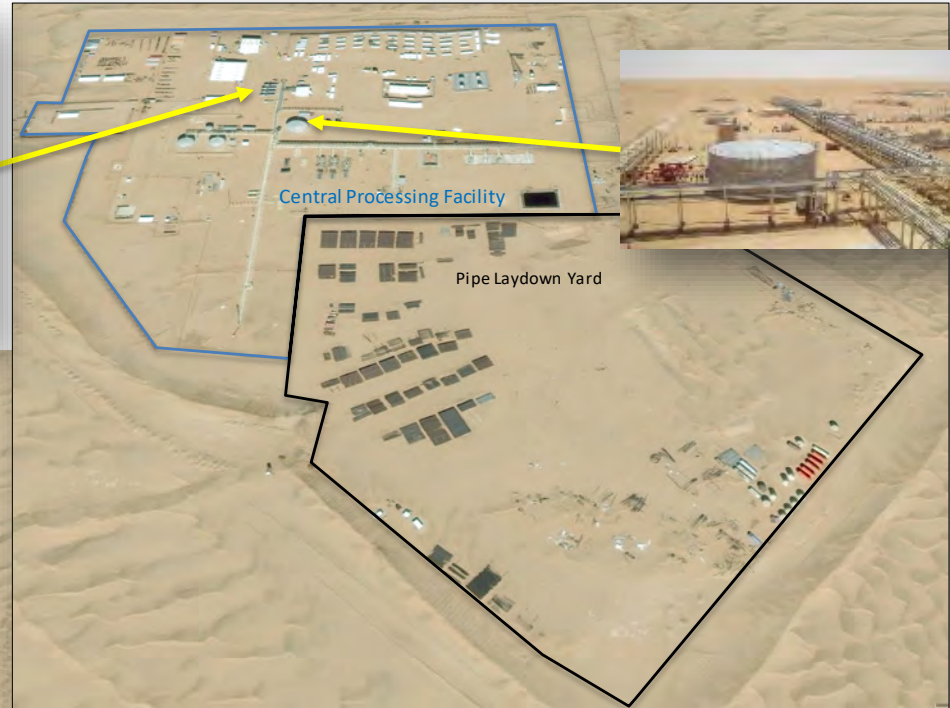
Geological Cross Section



- ❖ The An Nagyah Oilfield contains a 50 metre oil column and up to a 135 metre gas cap at its structural crest with oil produced through vertical and horizontal wells drilled across the sandstone reservoir.
- ❖ Production in the field is maintained through an active aquifer in the north-west flank of the field and via gas expansion in the up dip South-Eastern crest where there is a significant gas cap.
- ❖ Peak production has exceeded 12,000 bopd but has been limited by gas compression capacity for the re-injection of produced gas back into the reservoir.
- ❖ Reservoir Simulation work suggests additional infill wells have the capacity to increase production rates and ultimate recoverable oil.

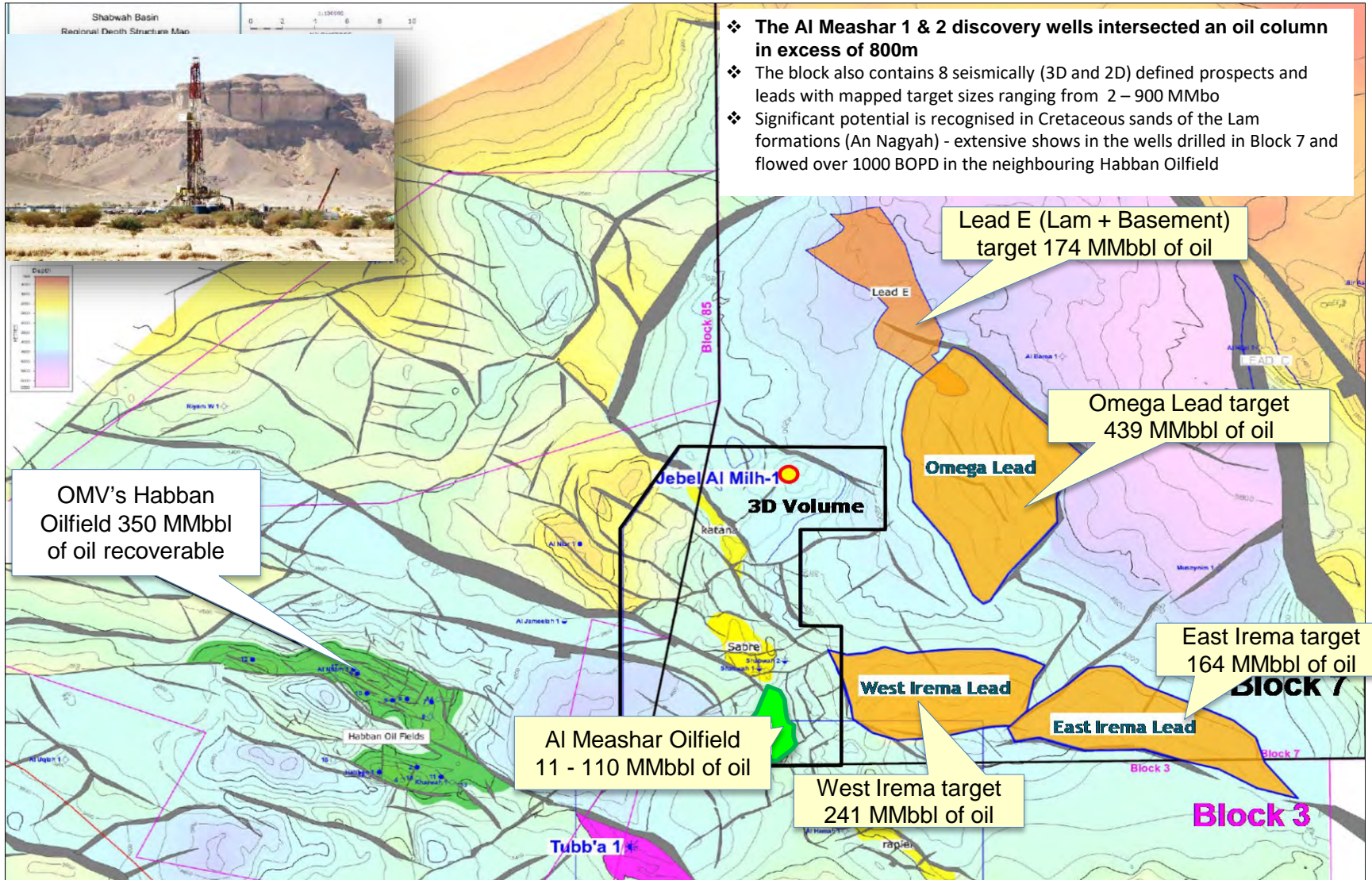


An Nagyah Oilfield: Central Processing Facility



- ❖ Previous operator invested over US\$450 million; acquiring seismic data, drilling, production facilities and associated infrastructure.
- ❖ Due to the arid environment the An Nagyah facility is in good condition and is expected to be fully operational within six months of recommencing operations. Has been well maintained during the current shut-in period.
- ❖ The CPF is connected via the Company's 80,000 bopd pipeline to Block 5 and the Block 5 to Block 4 Export Pipeline to the Bir Ali Export Terminal on the Arabian Sea to the South and to the Marib Export Pipeline, West to the Export Terminal at Ras Isa on the Red Sea.
- ❖ A large inventory of spare parts, drilling and compression equipment is warehoused onsite.

Al Barqa Block 7: Al Meashar Oilfield

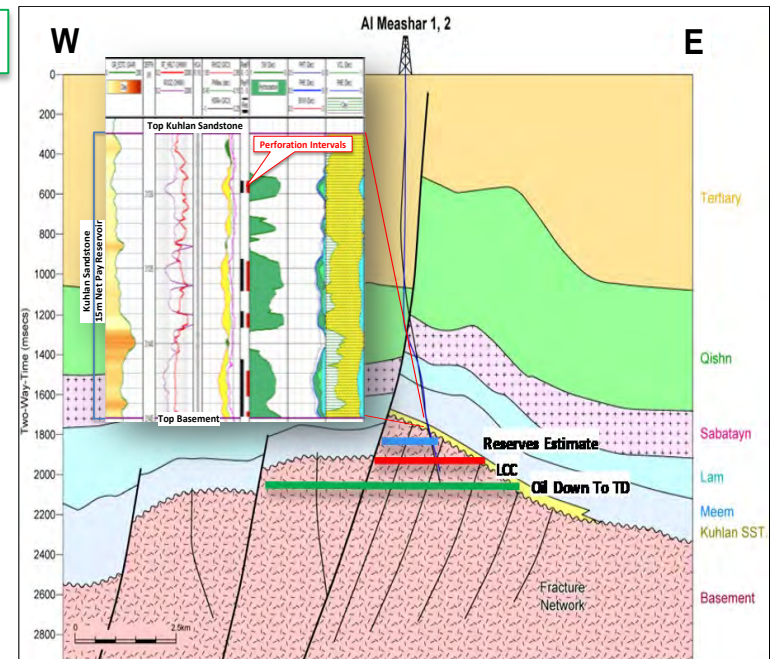
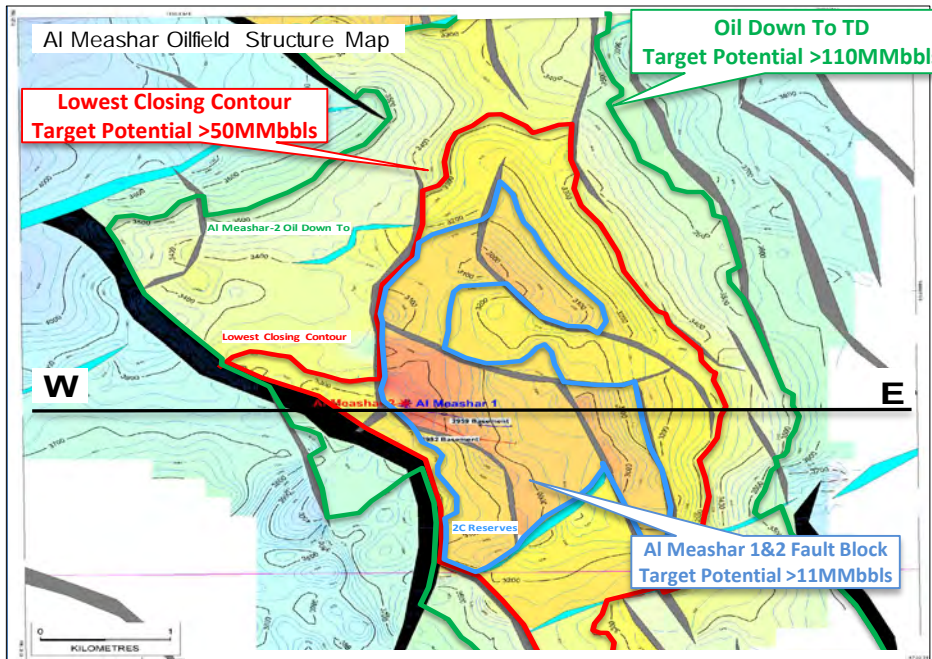


- ❖ The Al Meashar 1 & 2 discovery wells intersected an oil column in excess of 800m
- ❖ The block also contains 8 seismically (3D and 2D) defined prospects and leads with mapped target sizes ranging from 2 – 900 MMbo
- ❖ Significant potential is recognised in Cretaceous sands of the Lam formations (An Nagyah) - extensive shows in the wells drilled in Block 7 and flowed over 1000 BOPD in the neighbouring Habban Oilfield

Al Barqa Block 7: Al Meashar Oilfield

Development Potential

- ❖ The Al Meashar 1 & 2 discovery wells intersected an oil column in excess of 800m in the Kuhlman Sandstone and Basement formations, the same formations as in OMV's Habban Oilfield (350 MMbbl) which has an oil column of 945m and has in the past produced ~20,000 bopd until production was suspended in March of 2015. In April 2018 OMV restarted production, initially trucking 4,000 bopd to Block 14 Petro Masila, then to Block 4, YICOM, producing up to 14,000 bopd.
- ❖ The Al Meashar undeveloped oilfield is estimated at 11 MMbbl oil gross within the drilled single fault block outlined in blue with potential to increase to > 50 MMbbl within the currently mapped structural closure – red line, Lowest Closing Contour.
- ❖ The oil column identified in the Al Meashar wells exceeds the mapped structural closure by more than 200m shown by the green line. Current estimates of oil within the green (oil-down-to) contour exceeds 110 MMbbls gross.
- ❖ Development drilling on the Al Meashar structure is expected to extend the oil potential of the entire play fairway within the Block 7 licence area.



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Annual General Meeting 2021

