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## **GORA CONCESSION AND SICINY-2 WELL: CONCEPTUAL FIELD DEVELOPMENT PLAN AND 2C CONTINGENT RESOURCE ECONOMIC EVALUATION**

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Ansila Energy NL (**Ansila** or the **Company**) is pleased to announce the results of a Conceptual Field Development Plan (**CFDP**) for the Gora license and economic evaluation of the unconventional 1.6 Tcf<sup>1</sup> 2C contingent resource discovered by the Siciny-2 well ahead of imminent appraisal operations. The CFDP and economic evaluation was compiled by Xodus Group Limited (**Xodus**) with a review and audit conducted by Netherland, Sewell & Associates, Inc. (**NSAI**).

The purpose of the CFDP and economic evaluation was designed to assist investors in determining what the Siciny-2 well fracture stimulation and well test work program translates into in terms of a potential value per unit volume of 2C contingent resource in a success case.

The objective of the operations at Siciny-2 is to confirm the result of the already conducted diagnostic fracture infectivity test (mini-frac), and thereby improve the understating of the reservoir properties and improve confidence in the commerciality of the development.

NSAI concluded “Based on our review of the economic model parameters, we regard the unrisks net contingent cash flow to be representative of the unrisks net cash flow that could be received from the properties if (1) the contingencies are successfully removed, (2) the best estimate (2C) contingent resources are produced, and (3) the properties are developed in accordance with the schedule of the CFDP.”

Andrew Matharu, Executive Director, commented: “The CFDP and economic evaluation demonstrates the transformational value potential that may be unlocked from the unconventional gas resources at

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<sup>1</sup> Volume estimates are from Netherland, Sewell & Associates, Inc. report entitled “Estimates of Reserves and Future Revenue and Contingent Resources to the Gemini Resources Ltd. Interest and Gross (100 Percent) Prospective Resources in Certain Oil and Gas Properties located in the Nowa Sol and Gora Concessions Permian Basin, Onshore Poland as of May 1, 2019” (**Report**). The % CoS are estimated by ANA Management.



Siciny-2 in the event of a successful fracture stimulation and acquisition of associated reservoir and well performance data. A phased development plan would allow for early free operating cashflow whilst minimising capital expenditure requirements in a project with the potential to generate excellent returns in a robust gas pricing environment.”

## Highlights:

- The Ansila Base Case scenario generates a gross (un-risked) pre-tax NPV10 of US\$1,649 million<sup>2</sup> with a project IRR of 62.6% (net US\$577 million to Ansila);
- The pre-tax NPV10 is equivalent to a 2C contingent resource unit value of US\$1.04 per Mscf;
- Based on Ansila management’s estimate of a 42% commercial CoS associated with the 2C resources the net (risked) pre-tax NPV10 equates to US\$242 million;
- The CFDP focussed on the unconventional Carboniferous section of the Gora concession penetrated by the Siciny-2 well and corresponding to the 1.6 Tcf<sup>1</sup> of 2C contingent resources confirmed in the NSAI Competent Person Report (**CPR**) (May 2019);
- The CFDP is specifically based on an independent forecast of development well performance provided by NSAI (as part of their CPR) for the 2C contingent resources identified from well logs, gas shows, pressure measurements and permeability measurement made in the Siciny-2 well, This work used the measured reservoir properties at the Siciny-2 well (including permeability) and a dynamic eclipse simulation model to predict reservoir and well performance;
- Based on the Siciny-2 measured reservoir properties, NSAI forecast that a modelled 1,290 metre lateral wellbore drilled into the Siciny-2 reservoir, with a 16-stage frac completion, would:
  - Produce a total of 8.24 Bcf in 25 years
  - Produce at a peak rate of 9 MMscf/d and an annualised average peak of 6 MMscf/d
  - Using 1290m lateral wellbore length, NSAI advised that it would require 192 such modelled wellbores to drain the acreage assigned as 2C contingent resources

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<sup>2</sup> The pre-tax NPV10 valuation includes payment of government royalty and mining extraction fee. The calculation is exclusive of corporation tax and the five percent (5%) net profit interest payable on the project to San Leon Energy plc.



- The objective of the appraisal program currently underway at Siciny-2 is to gather additional data at the Carboniferous reservoir in order to confirm measurements already made and to allow further modelling, refinement and optimisation of this proposed well design and performance;
- A phased drilling program of a total of 192 - 1290m multi-stage hydraulically fractured horizontal wells from 16 well pads was modelled as part of the CFPD, resulting in an economic field life of 30 years to exploit the 2C contingent resources of 1.6 Tcf<sup>1</sup>; although drilling horizontal wells of 2580m or longer would significantly reduce surface environmental footprint, in addition to cost and time;
- A multi-train gas processing facility is incorporated within the CFPD, with a peak capacity of 400 MMscfpd, that would serve as a central gathering hub prior to export to the nearby PGNiG KGZ Żuchłów gas facility and entry into the adjacent low calorific pipeline network;
- Maximum project capital exposure is between years one to three and totals US\$147 million, of which Ansila's share (35%) is US\$52 million
  - Funding for Ansila's share of capital expenditure is primarily expected to be sourced from an industry standard combination of joint-venture partnering, farming-out/divesting, debt, structured financing/secured offtake agreements and vendor financing
  - In year four field development capital requirements are completely funded from operating free cash flow.

On 3 October 2019 the Company announced that it had commissioned a CFPD on the Gora unconventional gas accumulation and undertake an economic evaluation for the 2C contingent resources within the Gora license, onshore Poland. The CFPD planning resulted in an exploitation strategy for the gas accumulation based on data already gathered at Siciny-2 and represents a costed development scenario that could be deployed in the case of successful appraisal.

The work scope included the following key elements with production and well performance data derived from the NSAI CPR and drilling and other costs provided by the Company:

- A review of the NSAI CPR and assumptions;
- Generation of a CFPD for Gora with well-pad layouts and facilities;



- Generation of a pre-tax<sup>2</sup> valuation model assigning a value to the 2C contingent resources assigned to the Siciny-2 well on the Gora concession.

## **Conceptual Field Development Plan:**

The CFDP was confined to the 41.6 km<sup>2</sup> portion of the 693 km<sup>2</sup> concession area mapped around the Siciny-2 well and corresponds to the area containing the 1.6 Tcf<sup>1</sup> 2C contingent resource only.

The CFDP, using the NSAI modelled 1290m horizontal wellbore as an input, assumes a phased development program with drilling of a total of 192 multi-staged hydraulically fractured horizontal wells from 16 wellpads. Each wellpad is relayed to a central gas gathering centre consisting of four 100 MMscfpd production trains. This facility is connected to the nearby low calorific pipeline infrastructure operated by Gaz-System S.A. via the PGNiG KGZ Żuchłów Gas facility some 6 km away from proposed gas gathering centre on the Gora concession. Phasing of both an increase in the number of production wells and the addition of increased processing capacity leads to a phased capital expenditure approach. After the initial capital investment, the capital requirement is delivered from free cashflow in year four and the project is paid out by year six.

The following wellpad and drilling configuration and production profile assumptions were defined as the Base Case for the CFDP:

- Total well count of 192 wells via 16 wellpads with 12 horizontal wells per pad - The 12 horizontal wells being drilled as a set of 4 horizontal wells at 3 vertical intervals;
- Horizontal well length of 1,290 metres with 16 frac stages per well and 500 metre well spacing;
- Expected Ultimate Recovery (EUR) per well of approx 7 Bcf (net of gas processing);
- Peak flowrate per well of 5 MMscfpd;
- Centralised gas processing facility constrained to 400 MMscfpd via the phasing of four 100 MMscfpd trains.

The CFDP well design and cost assumption analysis highlights that significant cost and time savings could be achieved by doubling the horizontal well length to 2,580 metres, which would have the effect of significantly reducing the surface impact of any development by halving the number of well pads from 16 to 8 and decreasing the number of vertical sections drilled. In the event of a full concession development further cost savings could be achieved from the economics of scale of developing a

potentially material resource play. However, it is beyond the scope of this initial CPFD to optimise the well design, well count and distribution. Following the result from the Siciny-2 appraisal it will be possible to refine the modelled production forecasts from a single development well.

### **Economic Evaluation:**

Base Case economics were run using the following set of price and cost assumptions, which were reviewed and audited by NSAI, in 2019 real, uninflated terms to generate an un-risked valuation of the Gora 2C contingent resources:

- Gas price of US\$6.38 per Mscf based on the average price of the POLPX (Polish Power Exchange) forward price contracts (dated 14 November 2019) for the following eight quarters (with the forward day contract averaging US\$5.10 per Mscf for the period January to October 2019);
- Horizontal well cost US\$9.7million, including completion and 16-stage hydraulic fracture stimulation;
- Total unit operating costs (including fixed, variable, exploitation, tariff and CO<sub>2</sub> emission charges) averaging US\$1.08 per Mscf over the economic field life;
- 30 year economic field life to 2050;
- Abandonment costs of US\$250,000 per well and US\$21.3 million for facilities were included at the end of field life;
- No geological or commercial risk were applied.

The results generated a gross un-risked pre-tax NPV10 of US\$1,649 million<sup>2</sup> with a project IRR of 62.6%. This equates to US\$577 million for Ansila's 35% interest and US\$1.04 per Mscf on a 2C contingent resource unit valuation. Based on Ansila's management's estimated 42% commercial CoS at Siciny-2 the net risked NPV10 for Ansila's 35% interest is US\$242 million<sup>2</sup>.

### **NSAI Independent Review and Audit:**

NSAI was engaged by Ansila to review the CFDP, capital costs, operating costs and economic model (described above) for the tight gas Carboniferous reservoir in the Gora concession.



# ANSILA ENERGY

**Ansila Energy NL** (ACN 150 624 169)  
**T** +61(8) 9226 2011  
**E** [info@ansilaenergy.com.au](mailto:info@ansilaenergy.com.au)  
Level 1, 89 St Georges Terrace, Perth WA 6000  
PO Box Z5187, Perth WA 6831  
[www.ansilaenergy.com.au](http://www.ansilaenergy.com.au)

Following this review NSAI states that:

“We have reviewed the CFDP, operating costs, capital costs, and economic model developed by Ansila and its contractors... Based on our review of the economic model parameters, we regard the unrisks net contingent cash flow to be representative of the unrisks net cash flow that could be received from the properties if (1) the contingencies are successfully removed, (2) the best estimate (2C) contingent resources are produced, and (3) the properties are developed in accordance with the schedule of the CFDP.”

**-Ends-**

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**The Board of Directors of Ansila Energy NL authorised this announcement to be given to ASX.**

## **CONTACTS**

**Andrew Matharu**  
Executive Director

**Christopher Lewis**  
Technical Director

**w: +61 8 9226 2011**  
**e: [info@ansilaenergy.com.au](mailto:info@ansilaenergy.com.au)**

## About Ansila Energy:

Ansila's earn-in transaction to the Gora and Nowa Sol concessions, onshore Poland, will see the Company acquire a 35% interest from Gemini Resources Limited by spending a total of A\$6.15m<sup>3</sup> on those concessions with work programs designed to unlock and prove the commercial viability of two potentially large unconventional resources plays:

- **Siciny-2 (Gora):** Flow testing the previously discovered 2C contingent resources of 1.6 Tcf<sup>1</sup> (circa 270 MMboe) of unconventional gas in an extensive Carboniferous reservoir scheduled for completion in Q4 2019; and
- **Jany-C1 (Nowa Sol):** Flow testing the previously discovered 2C contingent resources of 36 MMbbls<sup>1</sup> of oil within tight Zechstein Dolomite formation scheduled for completion in Q2 2020.

Please refer to the qualified person's statement relating to the reporting of contingent resources on the Gora and Nowa Sol concessions in Ansila's ASX Announcement dated 4 July 2019 (see Schedule 2). The Company is not aware of any new information or data that materially affects the about contingent resource estimates included in this announcement and all the material assumptions and technical parameters underpinning those estimates in this announcement continue to apply and have not materially changed.

Contingent Resources		1C	2C	3C
Jany-C1	MMbbls	9.3	36.1	85.8
	<b>Ansila 35% Interest</b>	<b>3.3</b>	<b>12.6</b>	<b>30.0</b>
Siciny-2	Tcf	0.7	1.6	3.2
	<b>Ansila 35% Interest</b>	<b>0.25</b>	<b>0.56</b>	<b>1.1</b>

Volume estimates in this presentation are from the Netherland, Sewell & Associates, Inc. report entitled "Estimates of Reserves and Future Revenue and Contingent Resources to the Gemini Resources Ltd. Interest and Gross (100 Percent) Prospective Resources in Certain Oil and Gas

<sup>33</sup> Based on an exchange rate of 1AUD: 0.55GBP or 1AUD: 0.71USD





Properties located in the Nowa Sol and Gora Concessions Permian Basin, Onshore Poland as of May 1, 2019", and were first reported to the ASX on 4 July 2019.

Contingent resources reported herein have been estimated and prepared using the probabilistic method.

The conversion factor used to convert gas (Tcf) to oil (MMboe) is 5.8:1 – this conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency.

### **Forward Looking Statements**

This document has been prepared by Ansila Energy NL (ANA). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

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