

PETSEC ENERGY LTD

ACN 000 602 700

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Petsec Energy Announces Group Oil and Gas Reserves as of 1 January 2020

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

Petsec Energy (the “Company”) is pleased to release its independently assessed reserve estimates as of 1 January 2020.

The remaining net proved and probable (2P) reserves at 1 January 2020, held by the Company in the USA, were estimated by reserve auditors Cawley, Gillespie & Associates to be 11 billion cubic feet of gas (“Bcf”) and 977.8 thousand barrels of oil (“Mbo”) which equates to 2.8 million barrels of oil equivalent (“MMboe”).

The net present value of those U.S. reserves were US\$21.9 million at an annual discount rate of 10% (NPV₁₀) calculated using the forward swap prices in effect on 31 December 2019.

The estimated 2P reserves held by the Company in the An Nagyah Oilfield in Yemen, the only developed field out of the six oil and gas fields held by the Company in Yemen, were estimated by reserve auditors DeGolyer McNaughton, at 1 January 2016 to be 5.6 MMbbl of oil with an approximate NPV₁₀ of US\$155.4 million as reported to the ASX on 15 March 2016.

On a combined basis, the Company’s independently estimated proved (1P) oil and gas reserves net to its economic interest as of 1 January 2020 were 7.1 Bcf of gas and 893.8 Mbbl of oil/condensate (equivalent to 6,615.4 Mboe). The estimated 2P reserves net to the Company’s economic interest were 11 Bcf of gas and 6,625.8 Mbbl of oil/condensate (equivalent to 8,463.0 Mboe).

The table below is a summary of the independently assessed reserve estimates and movements:

<i>Oil Equivalent (Mboe ¹)</i>	Net Proved Reserves ³	Net Probable Reserves ³	Net Proved and Probable Reserves ³
USA Reserves ²			
Reserves as of 1 January 2019	2,729.4	739.7	3,469.1
Additions/(revisions)	(592.4)	(0.1)	(592.5)
Production	(61.6)	-	(61.6)
USA reserves as of 1 January 2020	2,075.4	739.6	2,815.0
<i>Developed</i>	<i>180.2</i>	<i>-</i>	<i>180.2</i>
<i>Undeveloped</i>	<i>1,895.2</i>	<i>739.6</i>	<i>2,634.8</i>
Yemen Reserves ²			
Reserves as of 1 January 2019	4,540.0	1,108.0	5,648.0
Additions/(revisions)	-	-	-
Yemen reserves as of 1 January 2020	4,540.0	1,108.0	5,648.0
<i>Developed</i>	<i>4,540.0</i>	<i>1,108.0</i>	<i>5,648.0</i>
<i>Undeveloped</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total Petsec Group Reserves			
Total Petsec Group Reserves as of 1 January 2020	6,615.4	1,847.6	8,463.0
<i>Developed</i>	<i>4,720.2</i>	<i>1,108.0</i>	<i>5,828.2</i>
<i>Undeveloped</i>	<i>1,895.2</i>	<i>739.6</i>	<i>2,634.8</i>

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Footnotes to table above

1. Mboe = One thousand barrels of oil equivalent (using a ratio of approximately six thousand cubic feet of natural gas to one barrel of oil).
2. The Company confirms that it is not aware of any new information or data that materially affects the information included in these announcements, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

The U.S. reserves are stated for the Jeanerette, Mystic Bayou and Main Pass Block 270/273 fields. U.S. 2P reserves were 11 Bcf of gas and 977.8 Mbbl of oil. The Yemen reserves are stated only for oil in the An Nayah Oilfield and are unchanged from the assessment announced to the ASX on 15 March 2016 using a Brent price of US\$30/bbl and 5,000 bopd trucked 580 kilometres to PetroMasila's Block-14 truck unloading facilities.

3. Net reserves mean those reserves representing the Company's net revenue interest (or net economic interest) which is the Company's working interest less royalties payable in the USA, and after all costs - operational, government taxes and government participation in Yemen, according to the terms of the Participating Agreement with the Yemen government.

Changes in USA Oil and Gas Reserves as of 1 January 2020

The USA oil and gas proven reserves (1P) estimates as of 1 January 2020 of 2,075.4 Mboe were 24% lower than the previous year as a result of production for the year of approximately 61.6 Mboe and revisions of 592.4 Mboe, mainly due to the result of the Hummer B-2 well.

The estimated remaining proven and probable reserves (2P) are 2,815.0 Mboe after production of 61.6 Mboe and a net reserve revision of 592.5 Mboe.

USA Reserves: Estimated "Recoverable Amount"

The estimated "Recoverable Amount" of the remaining USA 1P and 2P reserves (i.e. net present value at an annual discount rate of 10%) were independently assessed to be US\$17.5 million and US\$21.9 million, respectively, using the forward swap prices that were in effect on 31 December 2019 as shown below:

	Henry Hub Gas (US\$/MMBtu)	WTI Oil (US\$/bbl)
2020	\$2.24	\$59.33
2021	\$2.42	\$54.82
2022	\$2.41	\$52.50
2023	\$2.45	\$51.69
2024	\$2.49	\$51.80
2025 and thereafter	\$2.52	\$52.41

USA Reserves: Qualified Petroleum Reserves and Resources Evaluator

In accordance with ASX Listing Rule 5.42, the USA reserve estimates in this report are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluator Mrs. Kellie Jordan, an employee of Cawley, Gillespie & Associates and a member of the Society of Petroleum Engineers. The President of Cawley, Gillespie & Associates, Mr W. Todd Brooker, has consented in writing to the form and context in which the reserve estimates are presented in this report.

The net reserves have been estimated using a deterministic method. Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an "as sold" basis expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. The net proved and probable (2P) reserves are the summation of the net proved (1P) reserves and net probable reserves.

The methodology for the determination of "Recoverable Amount" for the estimated reserves is consistent with that disclosed in the section on "Recoverable Amount" in the Company's 2018 Annual Report released to the market on 1st April 2019. This section covers reserves estimates, material assumptions and technical parameters underpinning the estimates. The Company confirms that it is not aware of any new information or data that materially affects the information included in the "Recoverable Amount" of the 2018 Annual Report, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

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To ensure accuracy and compliance of reserves estimations, the Company has put in place a robust process which incorporates the following governance arrangements and internal controls:

- At least once a year, as part of the year-end reporting procedures, the Company's oil and gas reserves are to be reviewed by an external, independent expert. The externally verified reserves are to be used as the basis for depreciation, depletion and amortisation calculations.
- All releases or reports containing statements of reserves are to be in accordance with ASX listing rules, requiring sign-off for content and context by an appropriately qualified person and in accordance with the Company's Reserves Policy.

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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 in the shallow waters of the Gulf of Mexico and state waters of the Louisiana Gulf Coast region of the USA, and exploration activities in the Gulf Coast onshore and bay areas of Texas and Louisiana, USA and Yemen.