Results for the year ended 31 December 2019

PENNPETRO ENERGY PLC
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Pennpetro Energy plc

("Pennpetro", the "Company" or the "Group")

Results for the year ended 31 December 2019

Pennpetro Energy, an independent oil and gas company focusing on production in the Gonzales Oil Field in Texas, USA, announces today its financial results for the year ended 31 December 2019.

Chairman's Statement

I am pleased to present the annual results for Pennpetro Energy PLC ("Pennpetro") for the year ended 31 December 2019.

As was reported last year, in line with the Company's strategy to grow its interests in the petroleum sector in the USA Pennpetro USA Corp., ("Pennpetro USA") was incorporated as an acquisition vehicle to pursue the opportunities that were being brought to the Company. Pennpetro USA is headquartered in Houston, Texas and has been examining various complimentary asset opportunities, not only in the South Texas area but we also examined assets that BP were looking to release in their Lower 48 sale and in particular the Scoop assets in Oklahoma. Ultimately, we decided not to pursue any of these opportunities. However, with relationships having been developed with excellent oil teams in Houston, we have been concentrating on central upper Gulf Coast with a number of opportunities being presented.

Due to rationalisation on holding interests to streamline accounting procedure so as not to have to undergo duplication, Nobel UK's US-based subsidiaries have been transferred to Pennpetro USA, our direct US subsidiary, which now owns the portfolio of leasehold petroleum mineral interests centred on the City of Gonzales, in southeast Texas, comprising the undeveloped central portion of the Gonzales Oil Field. The petroleum assets include approximately 1,000 leases covering 2,500 acres of land and contain proven oil condensates. The original Competent Persons Report ("CPR") prepared in advance of the acquisition estimated that, as a result of the acquisition, Pennpetro Group would have a Working Interest in the portfolio of petroleum mineral leases of 2,000 MBBL of oil and 1,000 MMcf of gas. Most recently, Nobel has again increased its working interest in the portfolio of petroleum interests from 75% to 100%, thereby its Working Interest is now over 4,000 MBBL of oil and 2,000 MMcf of gas.

The most recent CPR prepared in December 2017, estimated that the Group's then 50% working interest basis undiscounted Net Revenue Interest in the Gonzales petroleum leases amounted to $62 million; with the recent increase to a 100% Working Interest and further undiscounted Net Revenue Interest, this has now increased to over $120 million.

Moving on to our oil assets, our US-operating teams concentrated on the development of the Buda formation which was encountered during the drilling of our initial well, and as previously advised, was significant in providing drill proven reserves over our lease holdings.

During 2019, our US operations encountered electricity delivery issues due to redevelopment work required for the City of Gonzales electrical grid system. This resulted in delays and several stop-starts to our operations. We successfully replaced damaged jet pumping units and ancillary power units and resumed pumping from the well in the latter part of 2019. In April 2020, the Covid-19 pandemic caused us to put our operations in Gonzales on hold.

We continue to monitor the situation in Gonzales and whilst there is still a degree of uncertainty with recent coronavirus issues, we plan to re-enter the completed horizontal 3,300-foot lateral extension portion of the initial well COG#1, with a focus on pumping from reservoirs in the Austin Chalk formation.

Our aims for the second half of 2020 are to recommence operations, move into commercial production and also plan for a second horizontal well.

In addition, the Company recognising the global impact of environmental concerns, has instigated due diligence with regard to expanding its experiences and core competencies within the fossil environment and petroleum drilling to specific green energy initiatives securitised with US intellectual property filings to be expanded internationally.

We remain confident in our petroleum assets, our US operations and the Board, to continue to build upon what has been a very busy year for the Group.

Keith Edelman
Non-Executive Director, Chairman
30 June 2020

Executive Director's Statement

Pennpetro's intention is to become an active independent North American development production company.

The key elements of Pennpetro's strategy for achieving this goal are:

• The creation of value through production development success and operational strengths, commencing with the Group's City of Gonzales Lease ("COGLA") assets.

• Focusing on commercialisation and monetisation of oil and gas discoveries, and potentially utilising cash flows from initial projects to fund the acquisition or development of future projects.

• Active asset portfolio management.

• Positioning the Company as a competent partner of choice to maximise opportunities and value throughout the E&P lifecycle.

• Asset acquisitions of producing hydrocarbons and suitable green energy technologies.

Our focus during 2019 was to continue to develop our proven reserve base at our licences in Gonzalez.

According to the Group's Competent Person's Report ("CPR"), prepared in December 2017, Pennpetro had a working interest in 2,000 Mbbl of oil and 1,000 MMcf of gas across its Gonzalez leases. Most recently, Nobel has increased its working interest in the portfolio of petroleum interests from 75% to 100%, thereby its working interest is now over 4,000 MBBL of oil and 2,000 MMcf of gas resulting in a substantive uplift in our valuation metric.

The low oil price environment since mid-2014 presented the opportunity to acquire leases in our core areas of focus, most notably the prolific Austin Chalk and Eagleford Shale in South Texas. To this, we have been able to add additional reserves from the Buda Formation from the drilling of an initial horizontal well, which as prior reported we have now completed with the operator having advised the Texas Railroad Commission, the local authority, that the well is designated as a discovery and commercial unit. Commercial quantities of test hydrocarbons have been sold from this well. The submersible jet pumping unit to the well required significant remedial work as the unit supplied by the vendor was found to have certain issues with regard to the deliverability's of electrical input through the provided electrical circuit boards resulting in operational impairment. This work unfortunately caused significant delays to the Buda oil recovery operations, as the well was required to be suspended on a number of occasions. Having regard that the Buda oil formation water resulting from prior extensive flooding would need some time to be pumped out and regain pressure thereby recommencing hydrocarbon deliverability from that reservoir, it was decided that as the Buda operations had achieved the important positive result of confirming that this reservoir was now drill confirmed to be active over the acreage and a confirmed secondary recovery reserve, that it was time to clean out and re-enter our initial objective, the Austin Chalk formation which we had drilled out to 3300 feet horizontally and which had tested positive for both oil and gas recovery. The Austin Chalk formation was drilled out at approximately 7200 feet sub-surface, whereas the Buda was intersected at 8500 feet sub-surface. This will require that we case-off the lower Buda formation until needed to deplete in the future and initiate a work-over rig operation to re-enter and clean out the horizontally drilled formation leg to initiate hydrocarbon recovery from this proven oil interval.

The wells we are drilling and plan to drill are economic at oil prices sub US$30/bbl; record production rates have been reported as the horizontal laterals are extended and the amount of pay in each well has increased; drilling and completion costs have been significantly reduced; and initial decline rates during the first 12-18 months of production are lower than those in other US plays. Over the last two years, we have taken advantage of depressed market conditions to increase our exposure to these areas.

West Texas Intermediate ("WTI") averaged US$56.99/bbl during 2019, $7 per barrel lower than in 2018. The value of WTI as at 29th June 2020 was US$39.64 (source: Bloomberg Markets).

Operations

In terms of our operations, our focus has been on completing our initial horizontal well and organizing the permitting of our second targeted horizontal well situated to the north of COG#1-H. Our operator has filed formal completion certificates with the Texas Railroad Commission confirming that the COG#1-H well is being completed as a producer. As prior stated we will begin Austin Chalk oil operations once the process of pump water removal from the lower reservoirs is completed - an operation which we have now decided to complete with the lower formation to be cased-off and to re-enter and take to hydrocarbon production the upper Austin Chalk.

Financially, the Company used 2019 to further lay the foundations for future revenue generation.

During late 2019, there was a sustained pull-back in the price of WTI occasioned by directives lead by the President of the USA; throughout 2019, increases in U.S. petroleum production put downward pressure on crude oil prices. In addition, the production increases likely limited the effect on prices from the attack on Saudi Arabia, production cut announcements from the Organization of the Petroleum Exporting Countries (OPEC), and U.S. sanctions on Iran and Venezuela that limited crude oil exports from those countries. Outside the United States, crude oil production from major producers such as Saudi Arabia, Venezuela, and Iran declined in 2019. EIA expects that total OPEC crude oil production averaged 29.8 million b/d in 2019, a decline from the 2018 average of 32.0 million b/d. U.S. crude oil imports from OPEC countries were at their lowest level in several decades. To continue limiting excess crude oil supply, on December 7, 2019, OPEC+ (OPEC plus 10 other nations such as Russia, Mexico, and Kazakhstan) announced they were deepening the production cuts originally announced in December 2018.

During early 2020 the oil price was severally antagonised by the emergence of the Covid-19 world-wide pandemic, leading to the most unsettled oil environment for many years. However, recently due to both the US shale industry being severally impacted by the oil price and re-emergence of a combined consensus at OPEC, there has been a re-emergence of price stability. In this stabilised oil price environment, Pennpetro has emerged from the oil vicissitudes as a low-cost, asset-backed US onshore oil and gas business. Subject to oil prices, market conditions and sentiment, I remain confident that we can deliver our strategy by not only acquiring leases in active and producing US onshore plays and proving up the reserves by drilling new wells, but also by our new strategic acquisition focus on producing assets and directive into green energy initiatives.

This platform is one that has, at its core, the active management of all types of risk associated with the oil and gas industry. Broadly speaking development risk is managed by focusing on proven formations; execution risk is managed by participating in drilling activities with solid experienced industry personnel, which we have in Houston who have an extensive history in South Texas petroleum activities, as well as our operations offsetting those of major industry players, such as EOG Resources, Inc., a multi-billion dollar Goliath; individual well risk is managed by building a diversified portfolio of leases and wells; meanwhile oil price risk is managed by focusing on areas that require relatively low oil prices to breakeven and ensuring our cost base, capital commitments and financing costs remain low, manageable and flexible.

Our asset acquisition strategies target only producing assets and applying proven horizontal technologies to conventional reserves from a firm productive foundation. This initiative is being driven through our Houston technical office with a number of asset opportunities having been investigated, and now with the new era post Corona-19 upon us, we expect further new opportunities.

Pennpetro's Board currently comprises four Directors, who collectively have extensive international experience and a proven track record in investment, corporate finance and business acquisition, operation and development and are well placed to implement the Company's business objectives and strategy highly active plays.

We believe the Company's Board and US management team is strong in terms of having the right mix of industry expertise covering all key areas of the business, including lease acquisition, geology, engineering, and finance.

Outlook

In line with our strategy, all our operations are in highly active plays where the economics of drilling and producing remain attractive at sub-US$30 oil prices. This highlights the success we have had in taking advantage of the prior industry downturn to accelerate the positioning of our South Texas leasehold position in favour of the Austin Chalk and Eagleford Shale. With a strategic foothold in these prolific, low cost plays established and a proven management team in place, we will look to further expand our position in this US onshore sweet spot, as and when management considers it most advantageous to do so.

For 2020, our main objectives are to build upon the initiative that commenced with the completion of our initial well, COG#1-H, and to further acquire additional land leases and to progress the permitting and horizontal development of our second objective well. I look forward to providing updates on our progress in the year ahead.

Finally, I would like to thank the Board, management team and all our advisers for their hard work over the last twelve months and also to our shareholders for their continued support.

Thomas Evans
Executive Director
30 June 2020

Financial Report

The financial results for the group for the year ended 31 December 2019 are presented below:

The financial results for the year ended 31 December 2019 show a loss after tax of $1,668,410 (2018: loss $788,630).

The majority of the cost contributing to the Group's loss for the year included legal and professional fees, directors' emoluments and interest charges, which were in line with the Board's expectations.

The Group's borrowings at 31 December 2019 were $6,078,992 (2018: $5,863,863) and included a loan balance outstanding of $2,417,946 which was converted into shares at a price of £0.50 per share after the year end. In addition, post year-end the repayment date for the loan facility with Petroquest Energy Limited was extended a further year to 31 December 2021.

The Group had cash balances at 31 December 2019 of $8,384 (2018: $Nil) and short-term investments of $60,001 (2018: $166,367). The year on year decrease in cash and short-term investments was primarily a result of cash used in operating activities and development expenditure.

As at 31 December 2019, the Group had $1.1m (2018 $1.1m) still available to draw under its loan facility of $5m with Petroquest Energy Limited.

On 15 February 2019, the Company issued 1,433,702 ordinary shares at a price of £0.55 per share, raising gross proceeds of £788,536.

In addition, the Group had a receivables balance at 31 December 2019 of $356,928 (2018: $523,482). The year on year decrease principally related to the reclassification of amounts owed by former participants to Intangible Drilling assets, following their exits from the Gonzales Project.

Additions of $85,566 were capitalised in property, plant and equipment during 2019 on the Petroleum mineral leases. As at 31 December 2019, total property, plant and equipment held by the Group was $1,362,734 (2018: $1,279,914).

Following additions of $184,963, cumulative Drilling-related expenditure which has been capitalised in intangible assets was $4,166,737 at 31 December 2019 (2018: $3,842,241). The increase in capitalised Drilling-related expenditure included $139,533 of expenditure that was re-categorised from receivables, as a result of the former participants' departure from the Gonzales Project.

Philip Nash
Non-Executive Director
30 June 2020

Operations Report

Summary

Nobel Petroleum USA, Inc., has operational teams on the ground working from its offices in the City of Gonzales. During the period, one new horizontal well in which the Group has an interest commenced completion activity. The Group is planning to initiate an encompassing 3D seismic survey in 2020 with Dawson Geophysical Company to complement its comprehensive well logs geological analysis, together with an enhanced programme of additional new petroleum leasing contiguous to the area, with proposed planning to provide a further number of permitted drilling locations by year end.

In addition, the company's recently formed corporate entity, Pennpetro USA Corp, Inc., through its highly regarded Houston based technical teams, has begun to examine a number of asset opportunities encompassing producing hydrocarbons with offsetting strategic leasehold interests capable of both additional infill and expansionary drilling locations, which has been amplified by the new era deigned by the global Corona-19 virus pandemic.

SOUTH TEXAS

The Company, through its indirect wholly-owned subsidiary, Nobel Petroleum USA, Inc., holds interests in acreage within active oil and gas plays within the County of Gonzales, State of Texas: The Austin Chalk, and Eagleford Shale horizontal development and vertical development of the Buda formation. Nobel Petroleum USA, Inc., has observed an increase in the value of its interests within its project acreage, due in part to uplifting its active equity interests and increased consolidation of its acreage positions.

Austin Chalk

The play covers an extensive area with over a million acres yet to be developed and runs all the way from the Pearsale Field south of Gonzales to the giant Giddings Oil Field, the largest oilfield found in Texas in the past 50 years to the north of Gonzales, and further north onto the North Rayou Jack Field. Recently, this play has extended into western Louisiana with a number of major players including EOR Resources and Marathon acquiring strong acreage positions. The Austin Chalk overlays the oil rich Eagleford Shale, with both formations capable of interacting with each other, and is a low permeability fractured reservoir that has been the target for horizontal drilling since the mid-1980s and consists of interbedded chalks, volcanic ash and marls. It is located at drill depths from 7,000 to 8,000 feet. It can be a liquids-rich play, yielding high volumes of oil and condensate. Initial production rates can range over 1,000 bopd with ultimate reserves exceeding 500 MBO per well.

- EOG Resources Inc., continued to delineate the South Texas Austin Chalk, completing wells in Gonzales County, with lateral completions out to 5,500 feet gross production of 1,815 bopd / 2,485 boed.

Eagleford Shale

The Eagle Ford continues to prove itself as a world-class crude oil formation having produced in excess of 2.9 billion barrels of crude oil and condensate. This play is classified as a petroleum system in that it is a self-sourced reservoir with seals. Migration of Eagleford hydrocarbons was primarily along bedding planes during the expulsion phase. Absent of traps, hydrocarbons migrated up-dip or north where vertical natural fractures were encountered. These natural fractures were associated with the regional fault trends. Here, the hydrocarbons migrated into the extensively fractured Austin Chalk. Initial production rates with laterals can exceed 1,000 bopd.

- According to EOG Resources Inc., its South Texas Eagle Ford remained one of the most active area of the company during 2019.

Buda Formation

The Buda is a biomicritic limestone lying below the Eagleford Shale and above the Del Rio Shale. There has been an increase in the focus on, and the development of, the Buda formation by a number of US operators in South Texas, with a number of horizontal wells having been completed.

As previously identified, while the Buda has always been acknowledged as a resource play in South Texas, it sits at the bottom of our drilling prognosis, as it can be drilled as a separate vertical completion and added to our overall horizontal programme. Furthermore, its unit spacing can be brought significantly down to 40 acres, thereby fulfilling a separate in-fill operation alongside our horizontal drilling focus.

Thomas Evans
Executive Director
30 June 2020

ENQUIRIES

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NOTES TO EDITORS

Pennpetro Energy is an independent oil and gas company focusing on production in the Gonzales Oil Field in Texas, USA. Shares in the company were admitted to the Official List of the London Stock Exchange by way of a Standard Listing on 21 December 2017.

Further information on the Company can be found at www.pennpetroenergy.co.uk

IMPORTANT NOTICE - FORWARD-LOOKING STATEMENTS

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results. In addition, even if results or developments are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth or strategies and the industry in which it operates. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Continuing Operations		
Administrative expenses	(1,143,330)	(595,074)
Operating Loss	**(1,143,330)**	**(595,074)**
Finance income	944	273,126
Finance costs	(526,024)	(466,682)
Loss before Tax	**(1,668,410)**	**(788,630)**
Income tax	-	-
Loss for the year attributable to owners of the parent	**(1,668,410)**	**(788,630)**
Other Comprehensive Income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	69,310	(27,579)
Other Comprehensive Income for the Year	69,310	(27,579)
Total Comprehensive Income for the Year attributable to the owners of the parent	**(1,599,100)**	**(816,209)**
Loss per share attributable to the owners of the parent during the year		
Basic (cents per share)	(2.31)	(1.11)
Diluted (cents per share)	(2.31)	(1.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2019 $	31 December 2018 $
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,362,734	1,279,914
Intangible assets	4,241,831	4,007,448
Total Non-Current Assets	**5,604,565**	**5,287,362**
Current Assets		
Trade and other receivables	356,928	523,482
Short term investments	60,001	166,367
Cash and cash equivalents	8,384	-
Total Current Assets	**425,313**	**689,849**
TOTAL ASSETS	**6,029,878**	**5,977,211**
EQUITY AND LIABILITIES		
Equity Attributable to Owners of Parent		
Share capital	926,711	908,404
Share premium	1,538,636	625,504
Convertible reserve	6,021,575	6,021,575
Reorganisation reserve	(6,578,229)	(6,578,229)
Foreign exchange reserve	61,449	(7,861)
Share based payment reserve	438,641	60,153
Retained losses	(2,723,778)	(1,055,368)
Total Equity	**(314,995)**	**(25,822)**
Non-Current Liabilities		
Borrowings	-	5,863,863
Total Non-Current Liabilities	**-**	**5,863,863**
Current Liabilities		
Borrowings	6,078,992	-
Trade and other payables	265,881	139,170
Total Current Liabilities	**6,344,873**	**139,170**
TOTAL EQUITY AND LIABILITIES	**6,029,878**	**5,977,211**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent							
Group	Share Capital $	Share Premium $	Convertible Reserve $	Reorganisation Reserve $	Foreign Exchange Reserve $	Share Based Payments Reserve $	Retained Losses $	Total Equity $
Balance at 1 January 2018	**908,404**	**625,504**	**6,021,575**	**(6,578,229)**	**19,718**	**-**	**(266,738)**	**730,234**
Loss for the year	-	-	-	-	-	-	(788,630)	(788,630)
Foreign currency translation differences	-	-	-	-	(27,579)	-	-	(27,579)
Total comprehensive loss for the year	-	-	-	-	(27,579)	-	(788,630)	(816,209)
Share based payments	-	-	-	-	-	60,153	-	60,153
Balance at 31 December 2018	**908,404**	**625,504**	**6,021,575**	**(6,578,229)**	**(7,861)**	**60,153**	**(1,055,368)**	**(25,822)**
Loss for the year	-	-	-	-	-	-	(1,668,410)	(1,668,410)
Foreign currency translation differences	-	-	-	-	69,310	-	-	69,310
Total comprehensive loss for the year	-	-	-	-	69,310	-	(1,668,410)	(1,599,100)
Shares issued	18,307	988,599	-	-	-	-	-	1,006,906
Cost of shares issued	-	(75,467)	-	-	-	-	-	(75,467)
Share based payments	-	-	-	-	-	378,488	-	378,488
Balance at 31 December 2019	**926,711**	**1,538,636**	**6,021,575**	**(6,578,229)**	**61,449**	**438,641**	**(2,723,778)**	**(314,995)**

CONSOLIDATED STATEMENT OF CASHFLOWS

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Cash Flows from Operating Activities		
Loss before tax	(1,668,410)	(788,630)
Depreciation	2,792	2,907
Amortisation	90,113	99,575
Foreign exchange gain	287	-
Unrealised foreign exchange	-	(183,110)
Finance income	(944)	(273,126)
Finance costs	526,024	466,682
Share base payment charge	361,860	60,153
	(688,278)	(615,549)
Changes to working capital		
Decrease/(increase) in trade and other receivables	27,021	(169,050)
Increase/(decrease) in trade and other payables	78,605	(70,937)
Cash used in operations	**(582,652)**	**(855,536)**
Interest paid	(176,322)	(195,494)
Net Cash used in Operating Activities	**(758,974)**	**(1,051,030)**
Cash Flows from Investing Activities		
Increase in Development expenditure	(184,963)	(750,473)
Purchases of property, plant and equipment	(85,566)	(56,382)
Disposal of short term investments	106,366	1,906,932
Interest received	82	31
Net Cash (used in)/ generated from Investing Activities	**(164,081)**	**1,100,108**
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares	1,006,906	-
Issue costs	(75,467)	-
Proceeds from/ (repayments of) borrowings	-	(71,151)
Net Cash generated from/ (used in) Financing Activities	**931,439**	**(71,151)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**8,384**	**(22,073)**
Cash and cash equivalents at the beginning of the year	-	22,073
Net increase/ (decrease) in cash and cash equivalents	8,384	(22,073)
Cash and Cash Equivalents at the End of the Year	**8,384**	**-**

The annual report and financial statements for the year ended 31 December 2019 are available to download on the Company's website at www.pennpetroenergy.co.uk.