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Pennpetro Energy PLC

Interim Results for six months ended 30 Sept 2023

DECEMBER 28, 2023 Source: RNS

RNS Number : 9796X

Pennpetro Energy PLC

28 December 2023



Trading Symbols

LSE: PPP**RNS: 9853X****28 December 2023**

Pennpetro Energy PLC

("Pennpetro" or "the Company")

Unaudited Consolidated Interim Results for the six months ended 30 September 2023

Pennpetro Energy plc (**LSE: PPP**), an independent oil and gas company focusing on production in the Gonzales County in Texas, USA, is pleased to announce its financial results for the six months ended 30 September 2023 (the "**Period**"). The full Interim Results, with accompanying notes, are available on the Company's website: www.pennpetroenergy.co.uk.

David Lenigas, Executive Chairman and Thomas Evans, Chief Executive Officer, commented:

During the Period:

- Whistling Straits #5H well was drilled to its total depth of 10,195 feet MD by the operator Millennium PetroCapital Corporation ("Millennium") under the original farm in arrangement whereby Pennpetro was spending 33% of the well costs for a net 25% working interest.
- Millennium put the well to test using a JET pumping arrangement in April that proved unsuccessful in lifting the drill fluids for the well.
- In June, Pennpetro signed a series of agreements with Millennium to increase its stake in the Whistling Straits 5H well from a 25% working interest ("WI") to a 100% WI and to assume operatorship of the well with immediate effect in addition to 2,036.38 acres of oil leases. This acquisition was completed in July.
- Pennpetro also has the exclusive right to acquire a 100% working Interest in two nearby Chalk Talk wells (Chalk Talk 1H and Chalk Talk 4H) for no additional costs, if Nobel determines that production can be restored to one or both wells within a 90-day evaluation period. This option to acquire 100% of these Chalk Talk wells was exercised in July.

Post Period:

- Pennpetro embarked on a workover of its Chalk Talk #1H ("CT1H") well in October and commenced an extended well test on 1 November.
- November oil production from CT1H was 4,827 barrels at an average of 161 Barrels of oil per day ("bopd").
- Oil sales for the month of November totalled 4,599.08 barrels.
- Pennpetro put in place an oil sales agreement that sees the oil it sells for the any month paid to Nobel Petroleum, its 100% Texas subsidiary, on the 20th day of the following month.
- Net cash received for November's oil production (after tax) was US\$329,658.09 which equates to US\$255,032.62 net revenue interest (after taxes and royalties).
- Extended well testing of CT1H continues.
- The workover of Chalk Talk 4H well commenced on 8 December and is ongoing.

Financial Highlights

In the six months ended 30 September 2023, the Company made an operating loss of US\$1,191,601 (30 June 2022: US\$250,000) and a basic and diluted loss per share of US\$(1.22) (30 June 2022: US\$(0.26)).

In June - to fund the new well acquisitions and workovers - the Company placed 5,800,000 new ordinary shares of £0.01 each in the Company and 9,200,000 existing ordinary shares of £0.01 each in the Company transferred by existing shareholders unconnected to any director, at a placing price of 2 pence each to raise £300,000 (before expenses).

Overview of Operations

Post Period Events

Horse Hill Farm-in

Post the end of the 31 September 2023 reporting period, Pennpetro) announced that it has agreed to extend the binding Horse Hill farm-in term sheet ("Agreement") with UKOG (137/246) Ltd and Horse Hill Developments Ltd ("HHDL"), both subsidiaries of UK Oil & Gas plc (collectively "UKOG") until 30 June 2024.

The Horse Hill Oil Field ("Horse Hill"), located about 2 km north of Gatwick airport.

The Agreement, as originally announced on 28 March 2023, enables PPP to farm-in to the Horse Hill Oil Field on an incremental production only basis via funding 100% of the acquisition of a twelve square km 3D seismic survey and the drilling of the next crestal infill production well, designated as HH-3.

The Agreement's binding farm-in terms, which are subject to certain conditions as outlined below, cover the drilling of a new crestal infill well, designated Horse Hill-3 ("HH-3"), to be spudded after the completion of a Pennpetro funded high-definition 3D

seismic survey. On completion of HH-3, Pennpetro will receive a 49% share of all production derived from Horse Hill-3 and future wells plus a 49% interest in the Licences. UKOG's subsidiaries will retain their current interests in all oil production from Horse Hill-1 ("HH-1") and HHDL will remain as the named Licence operator.

About Horse Hill Oil Field

As previously reported in the Pennpetro Energy RNS dated 28 March 2023.

"Following its discovery in 2014, Horse Hill was successfully production tested in the Upper Portland sandstone and underlying Kimmeridge limestone section from 2016 through to the start of long-term continuous Portland production in 2020. UKOG advise that, as of mid-March 2023, continuing oil production from HH-1 totalled an aggregate of over 185,000 barrels of 35° - 41° API sweet crude. Full planning and environmental consents are in place for four additional infill production wells.

A 2018 Xodus CPR for UKOG estimated a gross mid case P50 Portland oil in place ("OIP") of 30 million barrels, with a corresponding mid-case 2C recoverable Contingent Resource of 1.5 million barrels. The estimated mid case 5% recovery factor being stated as in accord with other analogous fields in the Weald Basin. It should be noted that the recovery factor being stated as in accord with other analogous fields in the Weald Basin. It should be noted that the total HH-1 Portland production to date potentially leaves around 1.36 million barrels of the estimated mid-case recoverable Portland resource available to infill drilling and remaining HH-1 production.

In addition to the 132,000 barrels of 35-36° API Portland continuous production as at mid-March 2023, approximately 53,000 barrels of 41° API sweet crude were produced from multiple zones within the Kimmeridge limestones during production testing, before being shut in to allow for longer term Portland production. In 2015 a Schlumberger report calculated an estimated mean OIP of 8.262 billion barrels lying within the entire Kimmeridge section underlying the Licences.

Note: OIP should not be construed as either recoverable Contingent resources or Reserves. The Kimmeridge therefore remains a potentially viable secondary production

target at Horse Hill."

Outlook

In line with our strategy, all our operations are in highly active hydrocarbon plays where the potential economics of drilling and producing oil remain attractive at sub-US\$30 oil prices.

Our initial workovers at Chalk Talk 1H and Chalk Talk 4H have proved successful for Pennpetro and are now generating solid cashflow.

Our plan beyond these initial workovers is to review and expedite the workovers in 2024 on the Whistling Straits #5H and City of Gonzales #1 wells.

Pennpetro's new ventures announced since March of this year are transformational for Pennpetro and we see excellent opportunity for growth in 2024. The board takes this opportunity to thank shareholders, old and new, its management, consultants, and advisers for their continued support and if the current oil price environment holds up this year it and allows the Company to move towards its aims of being a positive cashflow oil developer and producer.

For further information please visit the Company's website

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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 with the ticker symbol "PPP".

Its wholly owned subsidiary, Nobel Petroleum USA Inc. has a 100% Working Interest in 2,036.38 acres in Gonzales County in Texas. These acres include the Whistling Straits #5 well and the Chalk Talk #1H and #4H wells. Noble also has a Participation, Development and Option Agreement and Joint Operating Agreement with Texas based Millennium PetroCapital Corporation over a 250,000-acre Area of Mutual Interest in Gonzales County, Texas, aimed at exploiting the prolific proven Austin Chalk oil and gas play. Pennpetro Energy has also recently signed a conditional binding agreement to conduct a new 3D seismic survey on the Horse Hill Oil Field near London's Gatwick Airport which paves the way to drilling the next production well (HH-3) for 49% of the revenue of this proposed well.

Market Abuse Regulation (MAR) Disclosure

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 September 2023 Unaudited \$'000	6 months to 30 June 2022 Unaudited \$'000
Continuing operations		
Other income	-	-
Administration expenses	(1,147)	(60)
Operating Loss	(1,147)	(60)
Other net gains/(losses)	-	-
Profit/(Loss) Before Interest and Income Tax	(1,147)	(60)
Net finance costs	(45)	(145)
Corporation tax expense	-	-
Profit/(Loss) for the period	(1,192)	(205)
Profit/(Loss) attributable to:		
- owners of the Group	-	-
Profit/(Loss) for the period	(1,192)	(205)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(102)	299
Total comprehensive income	(1,294)	94
Attributable to:		
- owners of the Group	-	-
Total comprehensive income	(1,294)	94

loss per share (cents) from continuing operations attributable to owners of the Parent - Basic and diluted	(1.22)	(0.26)
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CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2023 Unaudited \$'000	As at 31 March 2023 Audited \$'000	As at 30 June 2022 Unaudited \$'000
Non-Current Assets				
Property, plant and equipment		1,485	1,485	1,384
Intangible assets	4	4,234	4,234	4,234
		5,719	5,719	5,618
Current Assets				
Trade and other receivables		314	315	308
Short term investments		360	82	93
Cash and cash equivalents		3	47	1
		677	444	402
Total Assets		6,396	6,163	6,020
Non-Current Liabilities				
Borrowings		4,478	4,018	4,257
Current Liabilities				
Trade and other payables		801	967	1,115
Total current Liabilities		801	967	1,115

Total Liabilities	5,279	4,985	5,412
Net Assets	1,117	1,178	608
Equity Attributable to owners of the Company			
Share Capital	1,242	1,079	928
Share Premium	8,090	6,611	4,302
Convertible reserve	4,173	4,173	5,776
Reorganisation reserve	(6,578)	(6,578)	(6,578)
Foreign exchange translation reserve	97	226	306
Retained losses	(5,907)	(4,333)	(4,126)
Total equity attributable to owners of the Company	1,117	1,178	608
Total Equity	1,117	1,178	608

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital \$'000	Share premium \$'000	Convertible reserve \$'000	Reorganisation reserve \$'000	Foreign exchange translation reserve \$'000	Retained losses \$
As at 31 December 2021	979	4,122	6,022	(6,578)	7	(3)
Comprehensive income						
(Loss) for the period	-	-	(246)	-	-	-

Other**comprehensive
income**Currency
translation

differences - - - - 299

Total**comprehensive****income** - - (246) - 299 (Issue of ordinary
shares - 181 - - -

Share issue costs (51) - - - -

Total**transactions****with owners** (51) (181) - - -**As at 30 June****2022** 928 4,302 5,776 (6,578) 306 (4**Share** **Share**
capital premium**\$'000****\$'000****Convertible**
reserve
\$'000**Reorganisation**
reserve
\$'000**Foreign****Retr**
exchange **I**
translation **\$**
reserve
\$'000**As at 1 April****2023** 1,079 6,611 4,173 (6,578) 199 (4**Comprehensive****income**(Loss) for the
period - - - - - (**Other****comprehensive
income**Currency - - - - (102)
translation

differences

Total**comprehensive****income**

-	-	-	-	(102)	(1)
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Issue of ordinary

shares

193	1,849	-	-	-	-
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Share based

payments

(30)	(370)	-	-	-	-
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Total**transactions****with owners**

163	1,479	-	-	-	-
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As at 30**September****2023**

1,242	8,090	4,173	(6,578)	97	(5)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT**30 September 2023****30 June 2022****Unaudited****Unaudited**

Note

\$

\$

Cash flows from operating**activities**

Loss before taxation

(1,192)	(205)
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Adjustments for:

Depreciation

-	-
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Exchange difference

(107)	442
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(Increase) in trade and other

1	(2)
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receivables

Increase in trade and other payables

166	844
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Net cash used in operations

(1,132)	1,079
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Cash flows from investing**activities**

Disposal of short term investments	(442)	-
Purchase of intangible assets	-	-
Purchase of fixed assets	-	-
Net cash used in investing	(442)	-

activities**Cash flows from financing****activities**

Proceeds from issue of ordinary shares	1,643	-
Proceeds from borrowings	-	274
Share based payment charge	(22)	-
Finance costs	(45)	145
Net cash from financing	1,576	419

activities

Increase in cash and cash equivalents	2	(1)
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Cash and cash equivalents at beginning of period	47	2
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Exchange differences on cash	46	-
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Cash and cash equivalents at end of period	3	1
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NOTES TO THE INTERIM FINANCIAL STATEMENTS**1. General Information**

The principal activity of Pennpetro Energy PLC ('the Company') and its subsidiaries (together 'the Group') is an oil and gas developer with assets in Texas, United States. The Company's US-based subsidiaries own a 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 Company's shares are listed on the standard market of the London Stock Exchange. The Company is incorporated and domiciled in England and Wales.

The address of the Company's registered office is 20b Wilton Row, London, SW1X 7NS.

2. Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with the requirements of the LSE Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

The consolidated interim financial statements set out above does not constitute statutory accounts. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of UK-adopted IAS. Statutory financial statements for the year ended 31 March 2023 were approved by the Board of Directors on 18 October 2023.

The consolidated interim financial statements are presented in United States dollars as the Company believes it to be the most appropriate and meaningful currency for investors. The functional currency of the Company is pounds sterling, and the functional currency of the US based subsidiaries is US Dollar.

Going concern

The Directors have prepared cashflow forecasts as part of their assessment of the going concern position of the Company and Group. The Board of Directors have considered these forecasts and have a reasonable expectation that the Company and Group has

adequate resources to continue in operational existence through to 30 November 2024 as projected.

The factors that were extant at 31 March 2023 are still relevant to this report and as such reference should be made to the going concern note and disclosures in the 2023 Annual Report.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2023 Annual Report and Financial Statements, a copy of which is available on the Group's website: <https://www.pennpetroenergy.co.uk>. The key financial risks are liquidity risk, market risk, foreign exchange risk and credit risk.

Critical accounting estimates

The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 2023 Annual Report and Financial Statements. Actual amounts may differ from these estimates. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Accounting Policies

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 March 2023 except for the impact of the adoption of the Standards and interpretations described below and new accounting policies adopted as a result of changes in the Group.

3.1. Changes in accounting policy and disclosures

(a) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2023

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period ended 30 September 2023 but did not result in any material changes to the Financial Statements of the Group.

b) New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Accounting estimates	1 January 2023
IAS 12 (Amendments)	Income taxes	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1 January 2024

The Group is evaluating the impact of the new and amended standards above which are not expected to have a material impact on future Group Financial Statements.

4. Intangible assets

Cost and Net Book Value	\$
Balance as at 31 December 2021	4,234
Additions	-
Balance as at 30 June 2022	4,234
Balance as at 1 April 2023	4,234
Additions	-
As at 30 September 2023	4,234

5. Loss per share

The calculation of loss per share is based on a retained loss of \$1,191,601 for the six months ended 30 September 2023 (six months ended 30 June 2022: \$205,000) and the weighted average number of shares in issue in the period ended 30 September 2023 of 97,361,726 (six months ended 30 June 2022: 78,846,153).

6. Approval of interim financial statements

The condensed interim financial statements were approved by the Board of Directors on 28 December 2023.

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