

For immediate release

1 May 2019

Pennpetro Energy PLC

("Pennpetro" or the "Group")

Annual Report and

Financial Results for the year ended 31 December 2018

London, 1 May 2019 - Pennpetro, an independent oil and gas company focusing on production in the Gonzales Oil Field in Texas, USA, today announces its Annual Report and accounts for the year ended 31 December 2018.

The full annual report will be available to download on the Company's website at www.pennpetroenergy.co.uk.

2018 Highlights - Financial

Our focus during 2018 was to continue to develop our proven reserve base at our licences in Gonzalez. The Company used 2018 to further lay the foundations for future revenue generation:

- The financial results for the year ended 31 December 2018 show a loss after tax of \$788,630 (2017: loss \$153,269).

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, which were non-current, at 31 December 2018 were \$5,863,863 (2017: \$6,092,657).
- The Group had cash balances at 31 December 2018 of \$Nil (2017: \$22,073) and short-term investments of \$166,367 (2017: \$2,073,299). The year on year decrease in cash and short-term investments was primarily a result of cash used in operating activities and development expenditure.
- In addition, the Group had a receivables balance at 31 December 2018 of \$523,482 (2017: \$1,537,448). The year on year decrease principally related to the reclassification of amounts owed by former participant Sunrise to Intangible Drilling assets, as a result of Sunrise's exit from the Operating Agreement.
- Following additions of \$56,382, the cumulative Petroleum mineral lease expenditure which has been capitalised in property plant and equipment was \$1,275,597 at 31 December 2018 (2017: \$1,219,215).
- Following additions of \$750,473, the cumulative Drilling-related expenditure which has been capitalised in intangible assets was \$3,842,241 at 31 December 2018 (2017: \$1,908,751). The increase in capitalised Drilling-related expenditure included \$1,183,017 of expenditure that was re-categorised from receivables, as a result of former participant Sunrise's departure from the Gonzales Project.
- The Group expects to generate revenue in 2019 from its first horizontal well and intends to use its cash balances and cashflow from oil production to fund additional development of its lease interests in Gonzales.

Operational

2018 was a year of preparation for future production and growth across the Group's onshore Texas asset base, during which, Pennpetro:

- Commenced completion activity of one new horizontal well, COG#1-H, in which the Group has an interest
- Permitting of the Company's second horizontal well situated to the north of COG#1-H

- Began examination of a number of asset opportunities encompassing producing hydrocarbons with offsetting strategic leasehold interests capable of both additional infill and expansionary drilling locations. This work is being carried out by the company's recently formed corporate entity, Pennpetro USA Corp, Inc., and its highly regarded Houston based technical teams.

Post period developments

Since the reporting period, the Group has:

- 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.
- On 5 March 2019, Pennpetro announced that its subsidiary, Nobel Petroleum UK Limited, had through its US based entities, increased its working interest from 50% to 75% in the leasehold petroleum interests centred on the City of Gonzales, southwest Texas, comprising the undeveloped central portion of the Gonzales Oil Field.

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.

Pennpetro's priority for the remainder of 2019 is project delivery, during which it expects to achieve the following objectives:

- Build upon the initiative that commenced with the completion of our initial well, COG#1-H
- Acquire additional land leases
- Progress the permitting and horizontal development of our second objective well

Keith Edelman Chairman of Pennpetro, said:

"Our focus during 2018 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 Mbbbl 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 50% to 75%, thereby its working interest is now over 3,000 MBBL of oil and 1,500 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 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 well is currently undergoing improvements to its submersible jet pumping unit, whereupon it will recommence hydrocarbon deliverability.

These highly active plays are well suited to thrive in today's stronger oil price environment. 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\$64.94/bbl during 2018, more than 27% higher than US\$50.88/bbl averaged during 2017. The value of WTI as at 24 April 2019 was US\$66.04 (source: Bloomberg Markets).

For 2019, 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."

Enquiries