PENNPETRO ENERGY PLC

(Incorporated and Registered in England and Wales, Company Number 10166359)

Report to Shareholders under Section 656 of the Companies Act 2006

1. Introduction

In accordance with Section 656 of the Companies Act 2006, the Board of Directors presents this report to shareholders. This report follows the identification that the Company's net assets have fallen to half or less of its called-up share capital. The purpose of this report is to provide shareholders with a clear and comprehensive overview of the Company's financial position, the factors contributing to the reduction in net assets, and the actions the Board proposes to restore financial stability.

2. Background

Pennpetro Energy PLC is a London-listed oil and gas exploration and production company focused on Oil and Gas exploration, onshore in Texas, USA. The Company has faced operational disruptions, exploration write-offs and regulatory changes. As a result of these factors, the Company's net assets have declined significantly relative to its called-up share capital. This report outlines the context and the Company's plans to address the situation.

3. Financial Position

As of writing, the Company's net assets were $(1,780,137), compared to called-up share capital of $1,277,639. This represents a reduction to less than 50% of the called-up share capital, thereby triggering the requirement under Section 656.

Summary of Net Asset Calculation:

Description	Amount ($)
Total Assets	14,281
Total Liabilities	(1,794,418)
Net Assets	(1,780,137)
Called-Up Share Capital	1,277,639
Percentage of Net Assets to Share Capital	-139%

4. Directors' Assessment

The Board has reviewed the factors contributing to the decline in net assets and has considered both operational and strategic aspects. The key drivers identified include:

- Operational Challenges: Cost overruns, production downtime and exploration write-offs
- Investments and Impairments: impairment of exploration assets following reassessment of reserves and licences that have expired with outstanding royalty payments

- Financial Management: debt servicing costs and working capital constraints resulting in liens against assets, creditor claims on subsidiaries

The Directors are confident that, with appropriate actions, the Company can restore its net asset position and maintain its operational performance, having written down the assets.

5. Proposed Actions

The Board proposes the following steps to address the current financial position and to safeguard shareholder value:

1. Capital Management: review of share capital structure, potential capital raising, or buy-back program
2. Operational Efficiency: cost optimization, rationalization of assets, improved project management
3. Strategic Review: evaluation of portfolio, divestment of non-core assets, acquisition opportunities
4. Financial Controls: strengthened budget oversight, improved working capital management

The Directors believe these measures will stabilize the Company's financial position and support long-term value creation for shareholders.

6. Conclusion

The Directors invite shareholders to review this report and provide feedback or approval on the proposed actions as appropriate. The Board remains committed to transparency, prudent financial management, and the ongoing growth of Pennpetro Energy PLC.

Signed on behalf of the Board of Directors:

Robert Menzel
Director

8 October 2025