



**Santa Cruz Sur  
Production Acquisition**



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# Echo Energy plc at a glance – before Santa Cruz Sur acquisition

Echo Energy is an exploration led, gas focused AIM-listed E&P company with an exciting onshore asset base in Latin America

## Argentina

- 19% interest in high impact Tapi Aike exploration license
- 41 leads identified – 7.7 Tcf of P50 gross gas in place (GIIP)
- 3D seismic acquisition completed improving definition of well targets
- Low cost exploration drilling campaign to commence Q4 2019

Highly experienced management team with extensive commercial & technical regional expertise

Continuously evaluating value accretive growth opportunities

## Bolivia

- Rio Salado & Huayco TEA/JEAs
- Multi-Tcf exploration options
- Ongoing drilling/testing operations in nearby acreage

**Bold growth strategy driven by our core values of technical excellence, commercial innovation, partnership and integrity**





# Big step forward in building material diversified growth portfolio

**1**

## High quality

High quality asset with existing infrastructure, positive cashflow, and production

**2**

## Production & cashflow

Material production of c.2,600 boepd – step change in scale for Echo

**3**

## Attractive valuation

Highly attractive acquisition price – large discount to reserve valuation

**4**

## Multiple upsides

Near term upside potential with workovers, and step out developments plus attractive exploration

**3**

Echo Energy  
**2019**

Deal fits the Echo strategy of delivering shareholder value from existing portfolio and new opportunities and team are well positioned to extract further value from deal



## Proposed acquisition deal highlights

### Reserves



- Net (70%) 1P reserves of 4.3 MMboe and 2P reserves of 13.7 Mmboe\*

### Acquisition Price



- Echo buying at deep discount (circa 80% to \$44.5 2P reserve valuation)
- 1P reserves c. 2.0 \$/boe (based on GCA report 31 Dec 2018)
- 2P reserves c. <1.0 \$/boe

### Production



- Net (70%) production of 2,633 boepd (H1 2019) including c.500 bbl/d of oil
- Substantial existing infrastructure in place

### Cash Flow



- Substantial cash flows of c. \$15m over next 3 years with significant upside potential
- Utilises existing VAT credit value of c.\$3m within c.24 months

### Upside potential



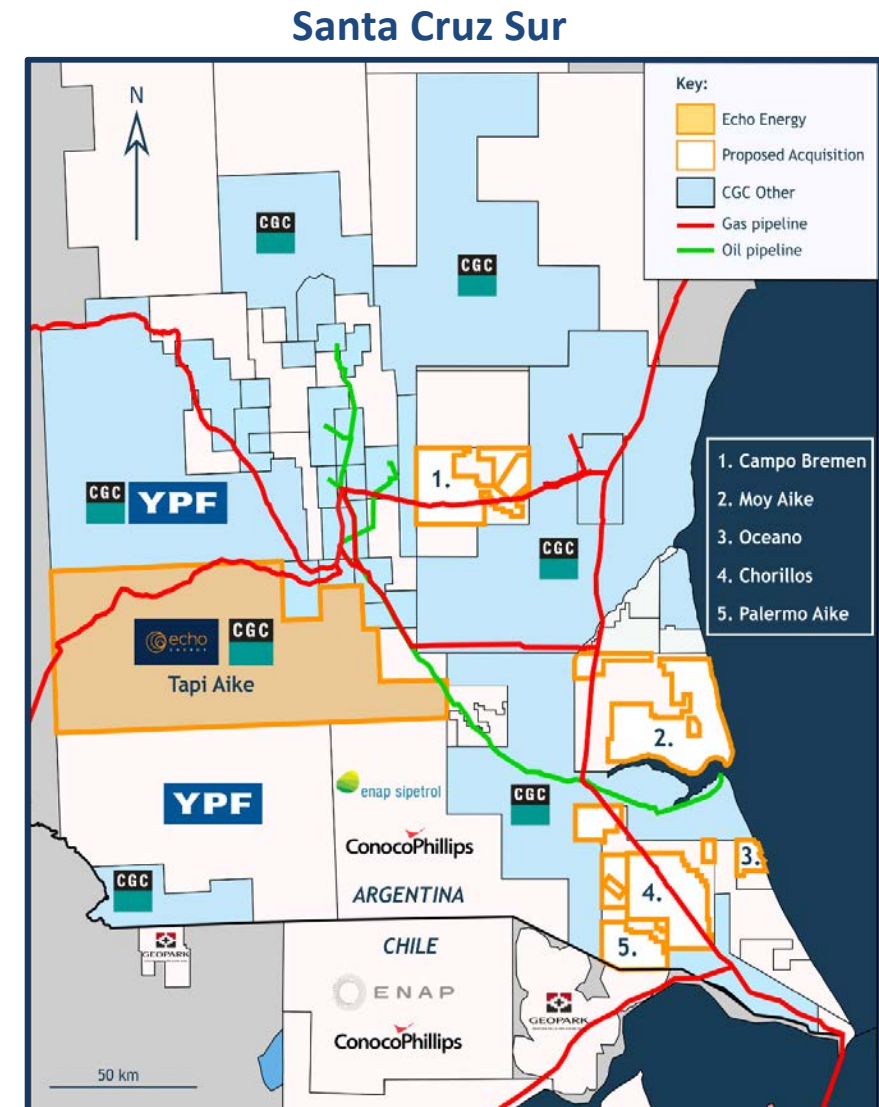
- Significant potential for production increase through workover programme (15 wells already identified)
- Opportunity to commercialise existing 2P reserve
- Upcoming Campo Limite exploration well (part funded by vendor)





## Proposed asset acquisition overview

- Package of five production concessions in the Austral Basin, Santa Cruz province
- Blocks consist of 12 oil and gas fields with significant production from Upper Jurassic Tobifera and Lower Cretaceous Springhill
- Asset consists of 83 wells, including 72 producers and 11 water injectors
- Infrastructure already in place - oil trucked to the Punta Loyola terminal
- Gas piped primarily through the San Martin pipeline to Buenos Aires
- 70% non-operated interest with ability to 'control' future operations





## Attractive financing package secured – demonstrating support for Echo strategy and specifically current acquisition

### Transaction headlines

- Consideration at completion \$8.5m
  - \$7m cash +
  - \$1.5m equity +
  - deferred \$1.5m contingent upon 1P reserve increase\*
- Near term Campo Limite exploration well to be part funded by seller. Drilling expected to commence Q4 2019

### Funding mixture of debt & equity

- Total gross funds raised amount to c. US \$11.8 million coming from:
  - a GBP £4.85million placing of new shares priced at 2.5 p/share
  - a €5million loan facility raised with Lombard Odier with the following terms:
    - 8% interest p.a.
    - Matures in April 2022
    - Loan can be converted to shares at 3 p/share
    - Issue of warrants with a strike price of 3 p/share

\*Reserves Replacement Ratio > 1, when more resources discovered & matured than produced

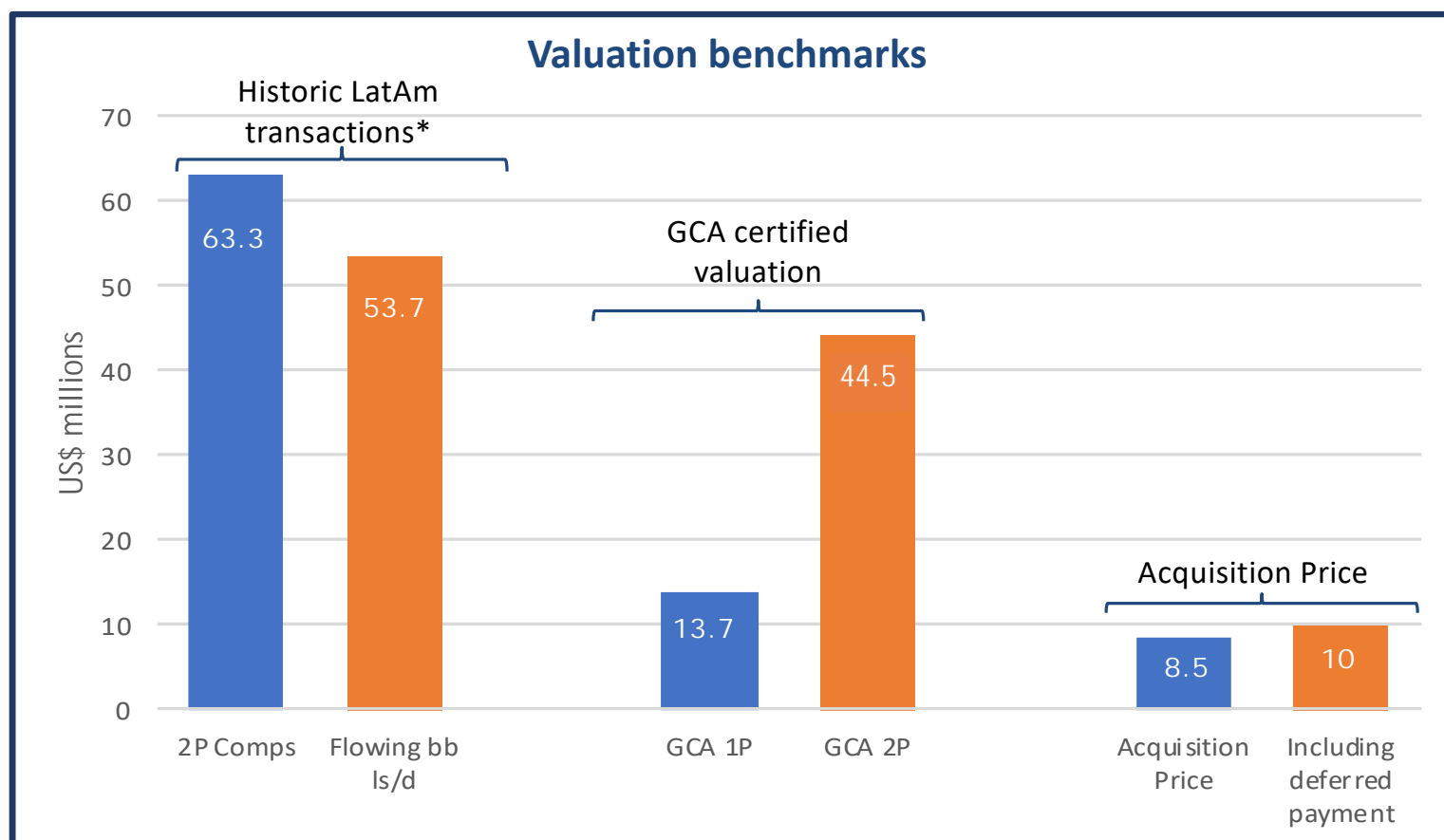


## Santa Cruz Sur: attractive valuation

Acquisition price of \$8.5m is a significant 38% discount to GCA 1P valuation

GCA valuation in 2018 CPR:  
\$13.7m for 1P valuation  
\$44.5 m for 2P valuation

Implied precedent transactions for LatAm:  
\$4.7/boe for 2P valuation  
c. \$20,000/boe for flowing barrels



\*This reflects the traded volumes across Latin America, which does not correct for differences in fiscal regimes and stage of the life cycle fields





## Deal Summary: Echo team well positioned to generate significant additional upside potential for investors

### Ready opportunities – not only focused on exploration

- Potential for significant upside using streamlined operational expertise
- 15 wells already identified with workover potential
- Use of Electrical Submersible Pumps (ESP)
- Use of JV-owned modern workover rig - reduces cost, increases efficiency

### Near term enhanced commercialization

- Well in Palermo Aike block being tied in to Chile pipeline for gas export
- Moy Aike – potential for gas development to tie back to trunk line
- 2P upside – 30+ new wells in existing fields

### Future Upside

- Upside potential from upcoming Campo Limite exploration well
- Near field oil & gas opportunities in several areas

### Operational streamlining

- Cost reduction core to ongoing strategy
- Opex peso denominated – devaluation aids reduction in costs



## A step change for Echo

- Creates a strong regional player in southern Argentina
- Creates a business with a strong foundation of cash generation to support and build a basis for value generating/accretive activities
- Ability to self-fund ongoing costs
- Balanced portfolio of:
  - Material production generating positive cashflow
  - Lower risk upside opportunities eg. workovers, step out developments
  - High impact exploration in Tapi Aike, Campo Limite and Bolivia
- Numerous news-flow catalysts for investors





## News catalysts for investors

2019 / 2020

Acquisition completion

Santa Cruz Sur revenues  
come on stream

Tapi Aike first drill

Confirm / open up Eastern  
Tapi Aike basin play

Campo Limite exploration well

Uplift in reserves and  
resources

Santa Cruz Sur workover  
programme

Boost to production and  
revenues

2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> Tapi Aike wells

Potential uplift in reserves  
and resources

Accretive growth opportunities

Further value creation for  
shareholder

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