



**Tapi Aike**

**Restructuring to reduce costs & maintain access to upside prospectivity**

16 July 2020



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## Successful Tapi Aike Restructuring Highlights

- Eliminating all future commitments and liabilities on Tapi Aike
- **Retaining full exposure** to 19% interest in the prospective western Tapi Aike area, on the same financial terms with no carry
- **Capital release** in excess of US \$800,000 to spend elsewhere in the portfolio
- Ongoing **cost savings** of approximately US \$36,000 per month
- **Full optionality to proceed** with the next exploration well **after** evaluating the full commercial (including current market) conditions and technical data suite
- Better **alignment between partners** and incentivisation for operator to conclude ongoing analysis in a timely manner

Revised structure delivering substantially improved financial and operational flexibility enabling Echo to deliver on its near term strategy [of low-risk production and development opportunities in Santa Cruz Sur]



## Creativity in Reducing Tapi Aike Non-Drill Costs

- Provides Echo Energy with an innovative financial solution to reduce on-going pre-drill monthly costs in Tapi Aike, and is a key part of Echo's strategy of **prudent financial management/cost control**
- Our technical view on western Tapi Aike remains unchanged ahead of full evaluation of the final recently processed Travesia de Arriba 3D data
  - Western Tapi Aike remains a strategic focus given the three legacy wells with interpreted gas presence and likely overpressures (help flow rates)
- Tapi Aike qualifies for one year extension to the exploration licence, providing more flexibility in schedule given current market conditions
  - Without this agreement, Echo would be liable for approximately US \$36,000 per month until spud. This cash can now be used elsewhere in the portfolio

**A creative financial solution, reducing on going pre-drill monthly costs, significantly upgrading the commercial terms to Echo, whilst maintaining access to upside exploration resources and success case production in the West.**



## Option Back-in for Next Tapi Aike Well

- This agreement removes pre-drill costs and provides Echo an option back-in before spud of the next Tapi Aike well:
  - An immediate release from associated licence costs and liabilities associated with the first exploration phase and the remaining programme;
  - The option fee of US\$ 339,000 provides flexibility to participate in all future exploration wells to be drilled on the western 3D and, in case of success, the follow-on developments. This also represents a proportion of the amount Echo would otherwise be required to meet under existing arrangements;
  - This payment is deferred until the earlier of: (i) the company receiving a VAT cash refund from Argentine authorities expected to be in excess of US \$1 million, (ii) 12 months from the signing of the option, or at the point of the operator spudding the relevant well.
  - Assuming a positive use of the option to participate in the next well, and following these results, Echo can choose to continue participation in future western drills or to withdraw with no additional costs or future liabilities.

**Optionality represents a significant upgrade of existing commercial terms for Echo**



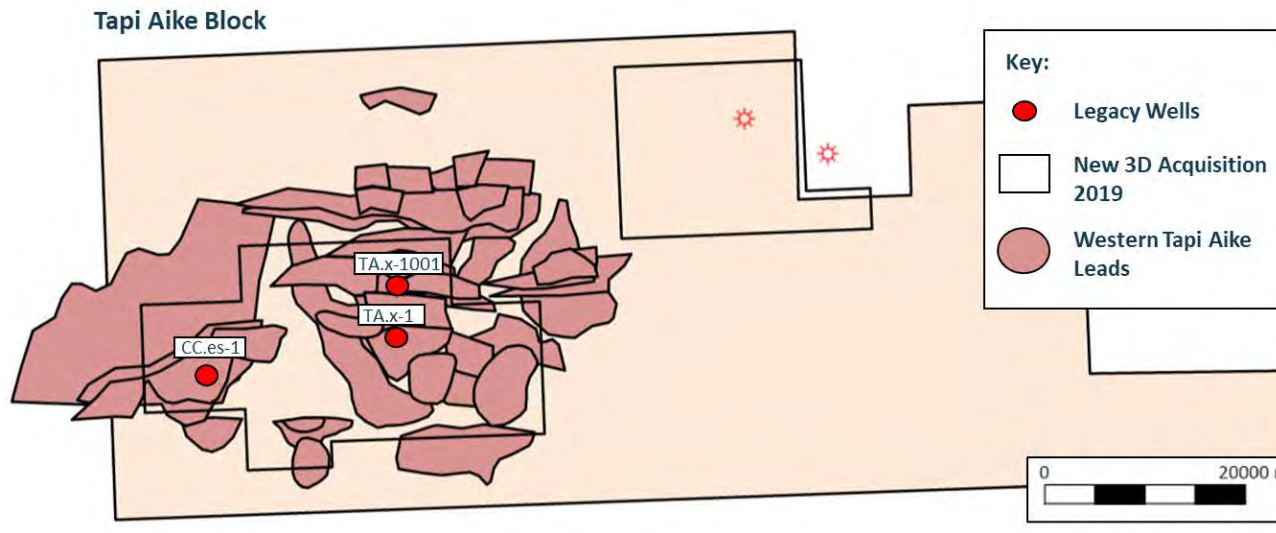
## Access to all Tapi Aike Data & Focus on Low-Risk Production

- Echo will have access to all data /final operator interpretations prior to making decision to exercise option
  - No back-in premium to be paid
  - To exercise the option, 30 days prior to the drilling, an additional payment to the operator of US \$503,000 will be made by Echo. (Equivalent to the further cost of technical work which has already been completed on the Licence but not settled)
  - On back-in Echo would **resume a 19% participation** on ground floor basis without any carry
  - Prior to back in the Operating Agreement will be suspended and all obligations within
- This deal is a key part of Echo's innovative commercial strategy of prudent financial management/cost control.
  - Sharpens near term strategic focus on our low-risk production and development opportunities at Santa Cruz Sur, while also streamlining our overall operational costs.

**A creative financial solution, reducing on going pre-drill monthly costs, significantly upgrading the commercial terms to Echo, whilst maintaining access to upside exploration resources and success case production in the West.**

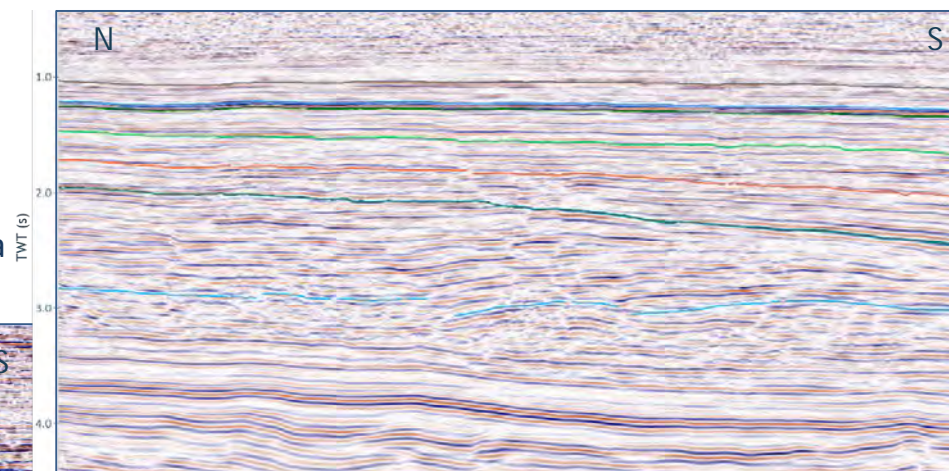


# Back-in Option Maintains Access to Upside Resources



- Western area has three legacy wells with interpreted **gas presence**
- Significant up lift in seismic quality compared to vintage 2D seismic
- Technical view remains unchanged and evaluation is ongoing ahead of full evaluation of the final data

N-S new 3D line across western cube



Vintage 2D Seismic

