



**ASX/MEDIA RELEASE
19 November 2018**

Petrel to merge with Warrego via a reverse takeover

- **Acquisition of a significant interest in North Perth Basin EP469 containing the West Erregulla Prospect**
- **Strike and Warrego preparing to drill the West Erregulla-2 well in the first half of 2019**
- **Enlarged group to seek AIM listing in London**

Petrel Energy Limited (ASX: PRL) ("Petrel") and Warrego Energy Limited ("Warrego") today announced the signing of a Non-Binding Term Sheet (the "Term Sheet") agreeing the acquisition of Warrego by Petrel via a reverse takeover (the "RTO"). The Term Sheet sets out the terms and key steps for the RTO which will be effected by the acquisition by Petrel of all the shares of Warrego, a private UK company and the proposed admission to trading of the entire share capital of the enlarged entity on the AIM market in London (the "AIM Listing") (together with the RTO, the "Transaction").

In the coming weeks a binding sale and purchase agreement will be agreed and entered into by Petrel and Warrego more fully defining the transaction and the means by which it is to be affected. Further details will be announced in due course as required.

Warrego holds the North Perth Basin Exploration Permit 469 ("EP469") in Western Australia. In June 2018, Strike Energy Limited (ASX:STX) ("Strike") farmed into 50% of the permit. It agreed to fund the first A\$11,000,000 of expenditure on the West Erregulla-2 well, paid A\$600,000 to Warrego and become the operator. Strike and Warrego are preparing to drill the West Erregulla-2 well in the first half of 2019 which has very similar attributes to nearby Mitsui/AWE Waitsia wells and is adjacent to existing gas infrastructure and two major pipelines. West Erregulla-2 (and any further necessary appraisal wells) represents a material standalone conventional gas prospect with prospective volumes potentially up to 1.24 TCF (as announced by Strike on 8 June 2018).

As consideration for the RTO, Warrego shareholders will receive fully paid ordinary shares in Petrel, which will represent approximately 77% of the capital of Petrel as enlarged by the acquisition (but prior to the issue of the new ordinary shares in connection with the AIM Listing).

Petrel has made preliminary arrangements to seek an AIM Listing in early 2019, including the appointment of advisers, but has not yet started the formal application process. Until that formal process is underway it is not possible to provide greater certainty that the AIM Listing will proceed. On the assumption that the AIM Listing will proceed, it is proposed that Petrel will seek to raise sufficient funds either prior to or at the same time as the AIM Listing to fund the enlarged entity's working capital requirements.

The anticipated working capital requirements will encompass:

- running costs of the enlarged business;
- research and preliminary due diligence on possible acquisition targets;
- costs of the 2019/2020 work programmes on the enlarged business assets portfolio; and
- potential project cost overruns on the two wells the enlarged company is planning to drill in 2019.

Warrego and Strike are drilling the West Erregulla-2 well as early into 2019 as feasible. Petrel and Prospex Oil and Gas Plc (AIM:PXOG) ("Prospex") are aiming to drill Tesorillo-1 (Cadiz Spain) slightly later in 2019. Both wells are primarily funded by their partners (up to A\$11m by Strike at West Erregulla-2, and up to A\$6m



by Prospex at Tesorillo-1). Both Petrel and Warrego have 50% interests in each asset and therefore the residual exposure for the enlarged entity is 50% of any project cost overruns in the respective well.

CEO and Managing Director of Petrel, David Casey said: "This is a compelling opportunity to join with a likeminded group of highly regarded professionals to unlock the significant potential from Petrel's very large (9,000km²), early stage North Perth Basin asset, with a mature and proximate analogue for the Waitsia field, in what is fast becoming one of Australia's premier onshore hydrocarbon provinces. On the successful completion of the RTO, the enlarged company will be in the very enviable position of having large carries in the drilling of two wells in two very exciting and quite different projects next year.

The synergies of working with a highly credentialed group such as Warrego and the immediacy of drilling West Erregulla-2 early next year with enormous "Waitsia type" upside provides a compelling opportunity for Petrel. The Transaction reduces the early stage project and funding risk of Petrel's current acreage and made this the standout opportunity of Petrel's previously announced strategic and corporate review".

Warrego Managing Director Dennis Donald said: "The Warrego team is extremely excited by the opportunity to bring its deep knowledge of innovative drilling, production techniques and technologies to a more diversified portfolio. By bringing together two potentially key assets in the Perth Basin we are creating the basis of a portfolio of scale and significant opportunity at a time when people are beginning to properly understand the Basin's potential. We are looking forward to close working with our new colleagues from Petrel. This transaction creates liquidity for Warrego's shareholders and new opportunities for the enlarged company to raise funds in the UK and in Australia, both for working capital and to fulfil the next steps of Warrego's multi-year growth strategy.

We look forward to enjoying the near-term prospect of the West Erregulla-2 well being drilled, coupled with the significant Perth Basin acreage position and international exposure our combined enterprises will gain".

Petrel has sought guidance from ASX who have confirmed that neither listing rules 11.1.2 nor 11.1.3 should apply to the proposed Transaction.

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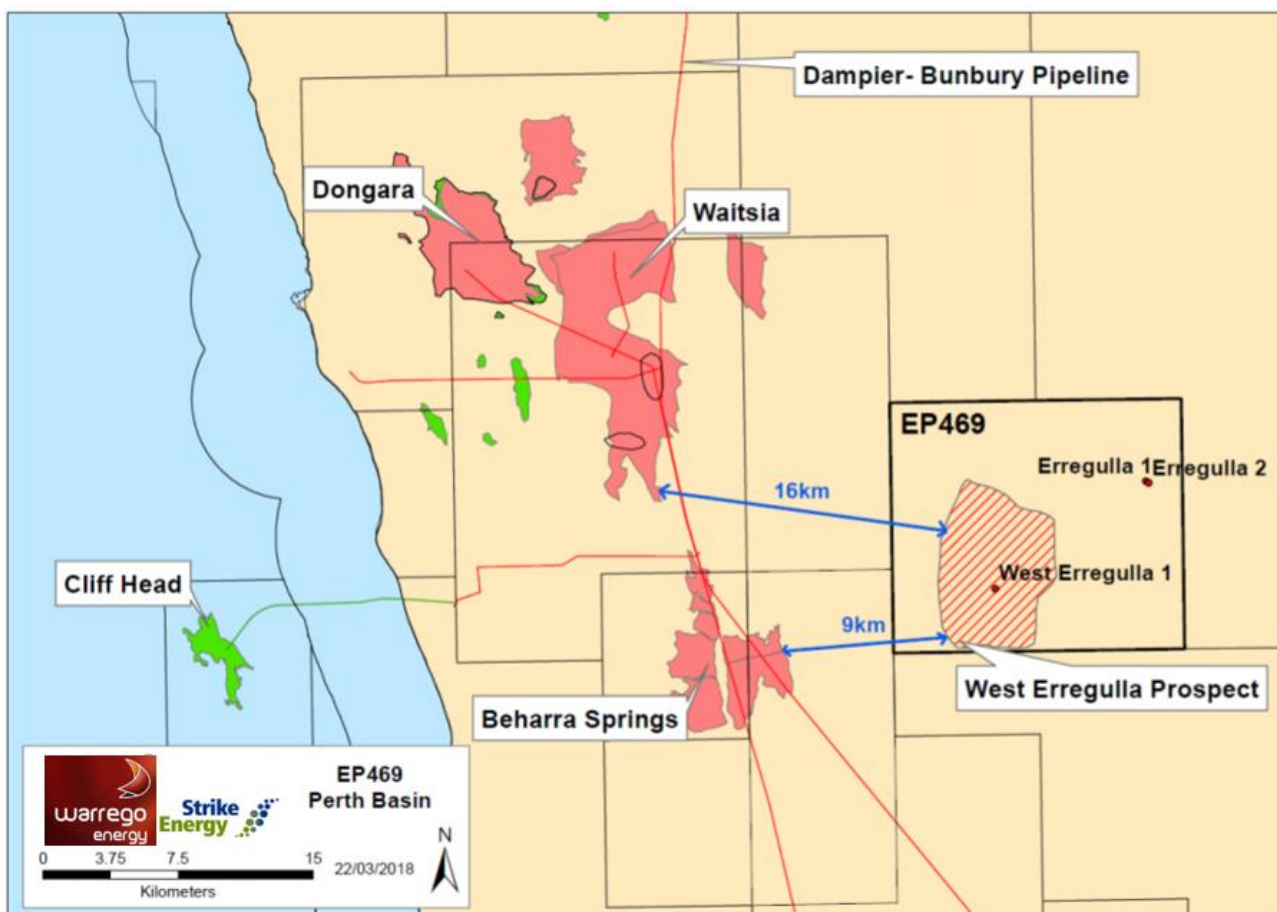
OVERVIEW OF WARREGO ASSET AND PROGRAMME FOR 2019

Warrego Energy (UK) Limited (“Warrego”) is a single asset company which holds North Perth Basin Exploration Permit 469 in Western Australia. Warrego farmed out a 50% interest in EP469 and operatorship to Strike Energy Limited (“Strike”) via a joint venture arrangement in June 2018. As part of this agreement Strike will fund the first A\$11,000,000 of the cost of drilling and completing one exploration well within the permit (the West Erregulla 2 well) and carrying out related G&G Studies and G&A costs within 24 months of commencement of the joint venture. It is anticipated that this well will be spudded in H1 2019.

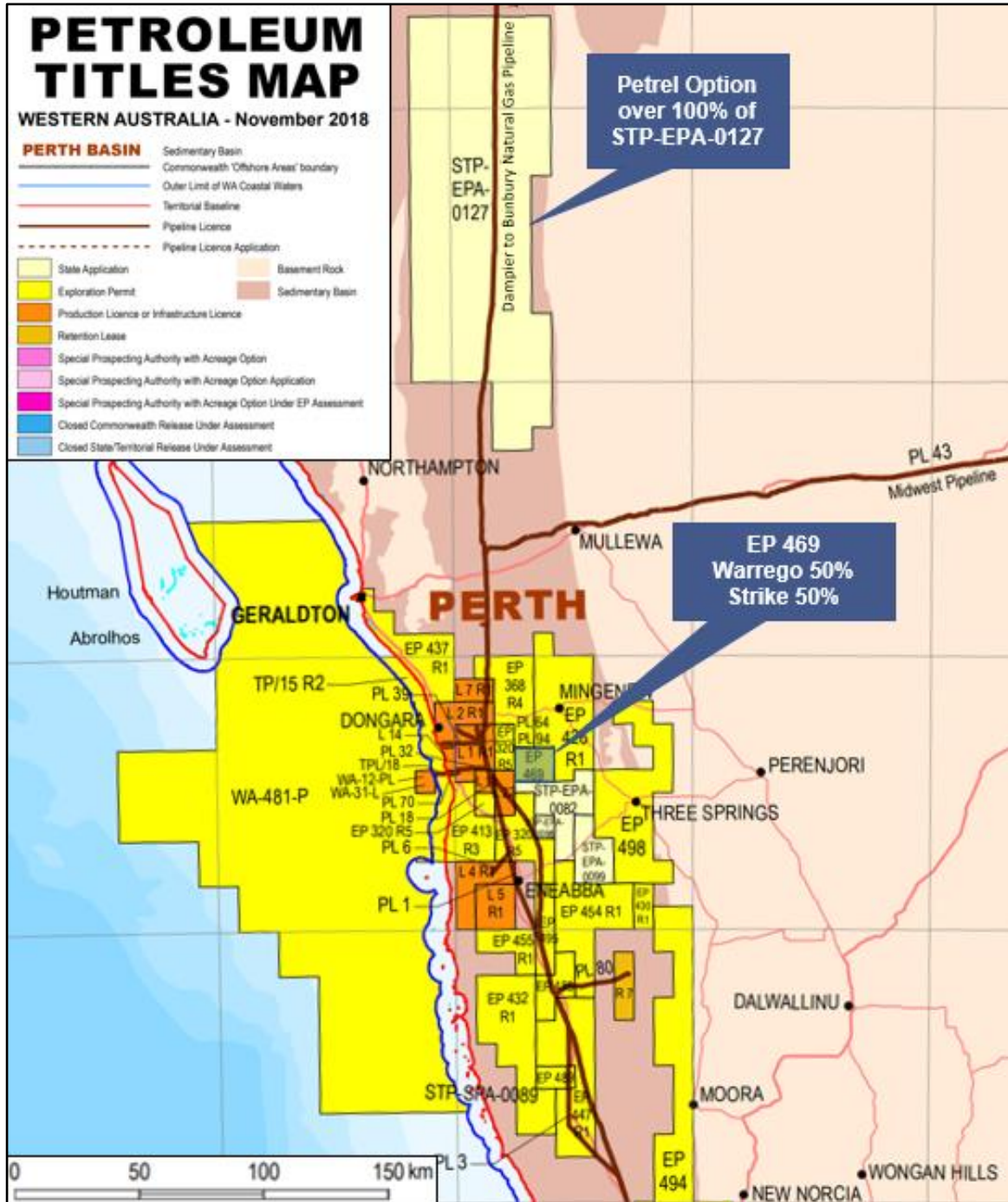
EP469 is located within the proven, yet underexplored petroleum system in the Northern Perth Basin. EP469 contains extensions of the known commercial plays from within the basin, which include the recent Kingia-High Cliff sand sequence (Waitsia), Irwin Coal Measures and the Dongara-Wagina formation (Beharra Springs).

JV prospect evaluation from the existing 3D seismic has yielded an extremely attractive, top tier, conventional structure in a combined dip and fault closure within the Kingia-High Cliff sequence (Waitsia). Presence of material hydrocarbons is indicated by structurally conformable amplitude anomalies and associated flat-spots. Subject to confirmation from additional model calibration and drilling, the Kingia-High Cliff sands are believed to be present with thickness and porosity development that is interpreted to be similar in quality to that in the adjacent Waitsia gas discovery. Initial assessment of the prospect is that it would be more than sufficient in size to support a stand-alone development.

The block is approximately 300 km north of Perth and is proximate to the major Dampier to Bunbury Gas Pipeline allowing a simple and cost-effective path to market for any commercial hydrocarbons. EP469 is between 9 and 16 km from the major discoveries within the basin that include Waitsia and Beharra Springs.



EP469 currently has 80 km² of high quality 3D seismic (the majority of which is on Crown land) and has previously had three exploration wells drilled within the license. Oil and gas has been produced to surface from the existing wells and, based on information provided by Warrego and validated by independent oil and gas advisory firm RISC Operations Pty Ltd, the permit currently has gross 71 BCF of 2C Contingent Resource from within the Dongara-Wagina formation.





SUMMARY OF THE TERMS OF THE AGREEMENT

The Transaction is conditional on, amongst other matters, satisfaction of certain conditions precedent including satisfactory mutual due diligence, production of satisfactory competent persons' reports on the assets of each party, execution of the Sale and Purchase Agreement ("Agreement"), approval of Petrel's shareholders and Warrego shareholders to the Transaction, the parties obtaining all necessary shareholder, regulatory and third party approvals and consents to give effect to the RTO and raising sufficient working capital, whether before or as part of the AIM Listing, to allow it to meet the enlarged entity's working capital requirements on the AIM Listing.

The consideration payable by Petrel on completion of the RTO will be the issue of such number of Shares to the shareholders of Warrego as to give them 76.9231% of the Shares on issue at completion. Full details of the Agreement will be included in the Notice of General Meeting which is expected to be dispatched to shareholders as soon as is reasonably practicable. A summary of the key terms of the Agreement is set out in Schedule 1.

CONVERTIBLE NOTE

The Agreement anticipates that Warrego may raise interim funds of up to A\$6,000,000 by way of the issue of convertible notes ("Convertible Notes") to sophisticated and professional investors, to meet transaction-related expenses and existing project costs prior to the commencement of the AIM Listing. The Convertible Notes will convert into Petrel shares upon completion of the AIM Listing at a discount to the AIM Public Offer price.

AIM LISTING

In accordance with a condition precedent to the Agreement and to support its exploration and development strategy post-completion of the RTO, Petrel plans, subject to shareholder approval, to conduct a A\$10,000,000 capital raising as part of the AIM Listing.

The final amount to be raised and pricing will be subject to market conditions in February 2019. It should be noted that Petrel's budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and evaluation work carried out. This will involve an ongoing assessment of Petrel's interests. The results obtained from exploration and evaluation programs may lead to increased or decreased levels of expenditure. A breakdown of the planned expenditure will be included in the Notice of General Meeting.

As at the date of this announcement, the AIM Public Offer would not be underwritten.

CONSOLIDATION

Petrel intends to consolidate its securities on a 1 : 20 basis ("Share Consolidation"), to take effect at the same time as the Transaction. Fractional entitlements will be rounded down to the nearest whole Share (as the case may be). Petrel will seek approval of its shareholders for the Share Consolidation at the meeting to be held to obtain approvals in connection with the Transaction.

PRO FORMA FINANCIAL INFORMATION

The effect of the RTO on Petrel's consolidated statement of financial position is included at Schedule 2.



PRO FORMA CAPITAL STRUCTURE

The indicative capital structure of Petrel following completion of the RTO, based on the current securities on issue, including the Convertible Note issue, and AIM Listing (each assuming full subscription), will be as follows (subject to rounding following the Share Consolidation):

	Petrel Shares	Warrego Shares
Ordinary Shares	2,399,437,494	2,916,096
Transaction Ratio	0.230769	0.769231
Consolidation Ratio	20	
Post Consolidation & Sub Total	119,971,875	
Warrego Conversion Factor	137.1375	
Petrel Shares issued for all Warrego Shares	399,906,249	
Total Petrel Shares pre AIM issue	519,878,124	
	Total Shares on issue assuming full subscription	
Total Petrel Shares pre AIM issue	519,878,124	519,878,124
AIM Public Offer share price range	\$ 0.10	\$ 0.07
AIM Public Offer shares issued assuming A\$10m raised	100,000,000	142,857,143
AIM shares issued to settle Warrego A\$6m Convertible Note	75,000,000	107,142,857
Total Petrel Shares on issue post transaction	694,878,124	769,878,124

RELATED PARTY

There are no related party relationships or transactions between Petrel and Warrego or their related parties at the date of this announcement.

BOARD CHANGES

Messrs. Dennis Donald, Duncan MacNiven, Owain Franks and Mark Routh will be appointed as a directors of Petrel (**New Directors**) effective from the completion of the Transaction. It is intended that Mr Greg Columbus will remain as a director of Petrel. Warrego will nominate a second independent Australian resident Director for inclusion in the Notice of General Meeting.

The other existing Directors of Petrel, Mr Alex Sundich and Mr David Casey will resign as directors of Petrel. It has already been announced that Mr Russ Porter and Mr Andrew Williams have stepped down as Non-Executive Directors effective from the conclusion of Petrel's 2018 AGM. Thanks are due to all of those leaving the Board for their contributions.

The New Directors' qualifications and experience are set out below.

Mark Routh – Proposed Executive Chairman

Mr Routh has over 30 years' experience. He is currently Chairman of Independent Oil & Gas plc. He was previously Managing Director of CH4 Energy Ltd. Mr Routh worked 10 years with Hess, 6 years with BP and 5 years with Schlumberger. Mr Routh holds an Msc in Petroleum Engineering from Imperial College, London.



Dennis Donald – Proposed Managing Director

Mr Donald left Shell after 25 years to form Leading Edge Advantage (“LEA”) a global independent drilling and engineering consultancy firm with Duncan MacNiven and other partners. Leading Edge Advantage became established as a specialist independent drilling engineering consultancy. Leading Edge provided advanced drilling engineering capability to the international market. It grew into a business operating globally within 10 years employing in excess of 40 people. Mr Donald and Mr MacNiven sold LEA and formed Warrego to bring new technology and techniques to play in unconventional onshore gas prospects.

Duncan MacNiven – Proposed Executive Director: General Counsel

Mr MacNiven is a former corporate and oil & gas lawyer. He co-founded LEA in 1998 and Warrego in 2007. Mr MacNiven invested in and sold out of a number of asset and technology projects.

Owain Franks – Proposed Chief Operating Officer and Deputy Managing Director

Mr Franks was until recently Commercial Director of Independent Resources Group plc (now Echo Energy plc). He is also a former Senior Adviser to the Board of Dana Petroleum plc and principal adviser to Canamens Limited. Mr Franks was previously a senior partner in PwC in the UK for 21 years and on its main UK Management Board for nearly 8 years. Mr Franks has an LLB from the University of Southampton, Bar Finals and a Coopers & Lybrand sponsored Post Graduate Diploma in Corporate Strategy from Harvard Business School.

CHANGE OF COMPANY NAME

Following completion of the Transaction and subject to shareholder approval, Petrel will change its name to Warrego Energy Limited.

PRELIMINARY TIMETABLE

A preliminary timetable for the Transaction and associated events is set out below and is subject to change:

Event	Date
Execution of definitive agreements	5 December 2018
Dispatch of Notice of General Meeting for Petrel	19 December 2018
Petrel General Meeting to approve share issue for RTO	31 January 2019
Finalisation of AIM Public Offer fundraising	1 February 2019
Target date for AIM Admission	15 February 2019

ASX LISTING RULES CHAPTERS 1 AND 2

Petrel has sought confirmation from the ASX as to whether the RTO will require Petrel to re-comply with Chapters 1 and 2 of the Listing Rules. ASX have confirmed that neither ASX Listing Rules 11.1.2 nor 11.1.3 should apply to the proposed acquisition.



SHAREHOLDER APPROVALS

A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Transaction will be sent to Petrel's shareholders in due course. Those approvals will include:

- (b) the Share consolidation;
- (c) the issue of Shares in connection with the RTO;
- (d) the issue of Shares in connection with the AIM Public Offer;
- (e) the issue of Shares on conversion of the Convertible Notes;
- (f) the appointment of the new Directors; and
- (g) the change of Petrel's name.

ASX WAIVERS REQUIRED

Petrel intends to seek the following waivers from ASX at this stage:

- (a) ASX Listing Rule 2.1 (Condition 2) to allow Petrel to issue Shares with an issue price below \$0.20 in connection with the RTO and AIM Public Offer.

REGULATORY REQUIREMENTS GENERALLY

Petrel notes that:

- (a) completion of the RTO requires shareholder approval under the ASX Listing Rules and therefore may not proceed if that approval is not forthcoming;
- (b) Petrel is required to comply with AIM requirements for admission to trading and therefore, the Transaction may not proceed if those requirements are not met; and
- (c) investors should take account of these uncertainties in deciding whether or not to buy or sell Petrel's securities.

Furthermore, Petrel:

- (a) notes that ASX takes no responsibility for the contents of this announcement; and
- (b) confirms that it is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.



SCHEDULE 1 - KEY TERMS OF THE AGREEMENT

The key terms of the Agreement are as follows:

Conditions Precedent: Settlement of the RTO (**Settlement**) is subject to and conditional upon the satisfaction (or waiver if permitted) of the following conditions precedent on or before a specified End Date (unless otherwise mutually agreed in writing by the parties):

- (a) **Due Diligence.** Completion of due diligence by each party on the other party and its business, operations and assets, to the satisfaction of each party by the date of dispatch of the Notice of General Meeting for Petrel;
- (b) **Working Capital.** Petrel having sufficient funds available to it (whether through funds raised by it or Warrego prior to Settlement or from firm bids, funds deposited into broker accounts, or otherwise payable on or in consequence of the RTO or AIM Listing) to allow it to meet the AIM working capital requirements specified in Schedule 2 paragraph (c) of the AIM Rules.
- (c) **Warrego Shareholder Approvals.** Warrego obtaining all necessary approvals from relevant shareholders pursuant to Warrego's Articles of Association and Shareholders' Agreement to allow Warrego to lawfully complete the matters set out in the Agreement;
- (d) **Petrel Shareholder Approvals.** Petrel obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Petrel to lawfully complete the matters set out in the Agreement;
- (e) **Third Party Approvals.** Petrel obtaining all necessary third-party approvals or consents to give effect to the matters set out in the Agreement to allow Petrel to lawfully complete the matters set out in the Agreement;
- (f) **Regulatory Approvals.** Petrel obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Petrel to lawfully complete the matters set out in the Agreement;

Consideration: In consideration for the RTO, Petrel will issue to the shareholders of Warrego (or their nominees) at Settlement shares equaling 76.9231% of the enlarged entity immediately following the RTO, but prior to the issue of Shares in conjunction with the AIM Listing or conversion of the Convertible Notes.

Board Composition: The Agreement provides that the current board of Petrel will resign and will be replaced by directors nominated by Warrego. Details of expected directors were given earlier in this notification.

The Agreement otherwise contains clauses typical for agreements of this nature, including exclusivity, confidentiality, pre-completion covenants, representations, warranties and indemnities.



SCHEDULE 2 – PRO FORMA FINANCIAL INFORMATION

	Petrel-Audited 30-Jun-18 \$	Warrego 31-Jul-18 \$	Eliminations	AIM Offer Proceeds \$	Balance Sheet Pro Forma \$
	Audited	Unaudited			
ASSETS					
Current assets					
Cash and cash equivalents	43,565	6,277,199 [^]		9,000,000 ^{**}	15,320,764
Other current assets	64,701	145,939		-	210,640
Restricted cash	109,467	-		-	109,467
Total current assets	217,733	6,423,138		9,000,000	15,640,871
Non-current assets					
Exploration and evaluation expenditure	95,262			-	95,262
Investment in Petrel		4,798,875	(4,798,875)		-
Goodwill			1,259,167		1,259,167
Plant and equipment	9,663	-		-	9,663
Receivable from associate	396,698				396,698
Investment in associate	3,909,424				3,909,424
Total non-current assets	4,411,047	4,798,875	(3,539,708)	-	5,670,214
Total assets	4,628,780	11,222,013	(3,539,708)	9,000,000	21,311,085
LIABILITIES					
Current liabilities					
Trade and other payables	917,025	347,654		-	1,264,679
Employee benefits	145,986	-		-	145,986
Convertible Note		6,000,000			6,000,000
Total current liabilities	1,063,011	6,347,654		-	7,410,665
Non-Current liabilities					
Employee benefits	22,301	-		-	22,301
Total non-current liabilities	22,301	-		-	22,301
Total liabilities	1,085,312	6,347,654		-	7,432,966
NET ASSETS	3,543,468	4,874,359	(3,539,708)	9,000,000	13,878,119
EQUITY					
Contributed equity	56,864,449	5,269,136	(56,864,449)	9,000,000	14,269,136
Consideration issued equity		4,798,875			4,798,875
Revaluation reserve	-	-		-	-
Assets revaluation reserve					
Options reserve	518,525	-	(518,525)	-	-
Accumulated losses	(53,843,266)	(5,193,653)	53,843,266	-	(5,193,653)
Equity attributable to owners of the Parent	3,539,708	4,874,359	(3,539,708)	9,000,000	13,874,359
Non-controlling interests	3,760	-		-	3,760
Total equity	3,543,468	4,874,359	(3,539,708)	9,000,000	13,878,119

[^] Assumes Warrego completes a Convertible Note Issue for A\$6,000,000.

^{**} Assumes enlarged company completes an AIM Public Offer of A\$10,000,000 with estimated costs of 10% (being \$1,000,000).