31 January 2019

PETREL ENERGY LIMITED
ACTIVITIES REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2018

HIGHLIGHTS

- **SPA to effect merger with Warrego via a reverse takeover signed**
- **EGM to approve reverse takeover before 15 March 2019**
- **Upon completion combined entity will hold a 50% interest in EP469 containing the West Erregulla Prospect in North Perth Basin**
- **West Erregulla-2 drilling to commence in first half of 2019**
- **Greg Columbus appointed as Non-Executive Director**

WARREGO REVERSE TAKEOVER

Share Purchase Agreement

Petrel Energy Limited ("Petrel") and Warrego Energy Limited ("Warrego") announced the signing of a Share Purchase Agreement (the "SPA") agreeing the merger of the two groups via a reverse takeover (the "RTO") on 21 December 2018. The SPA fully defines the RTO which will be effected by the acquisition by Petrel of all the shares of Warrego, a private UK company. As consideration for the RTO, Warrego shareholders will receive fully paid ordinary shares in Petrel, which will represent approximately 77% of the issued share capital of Petrel.

Petrel will continue to work towards an admission to trading on the AIM market in London. Initial plans were to raise funds on that admission. Continuing uncertainty in the London markets around Brexit mean that raising funds in this pre-drilling window may be less advantageous than ASX. Should complexities around Brexit mean fund raising in London is problematic then the Company will raise funds on ASX.

Background

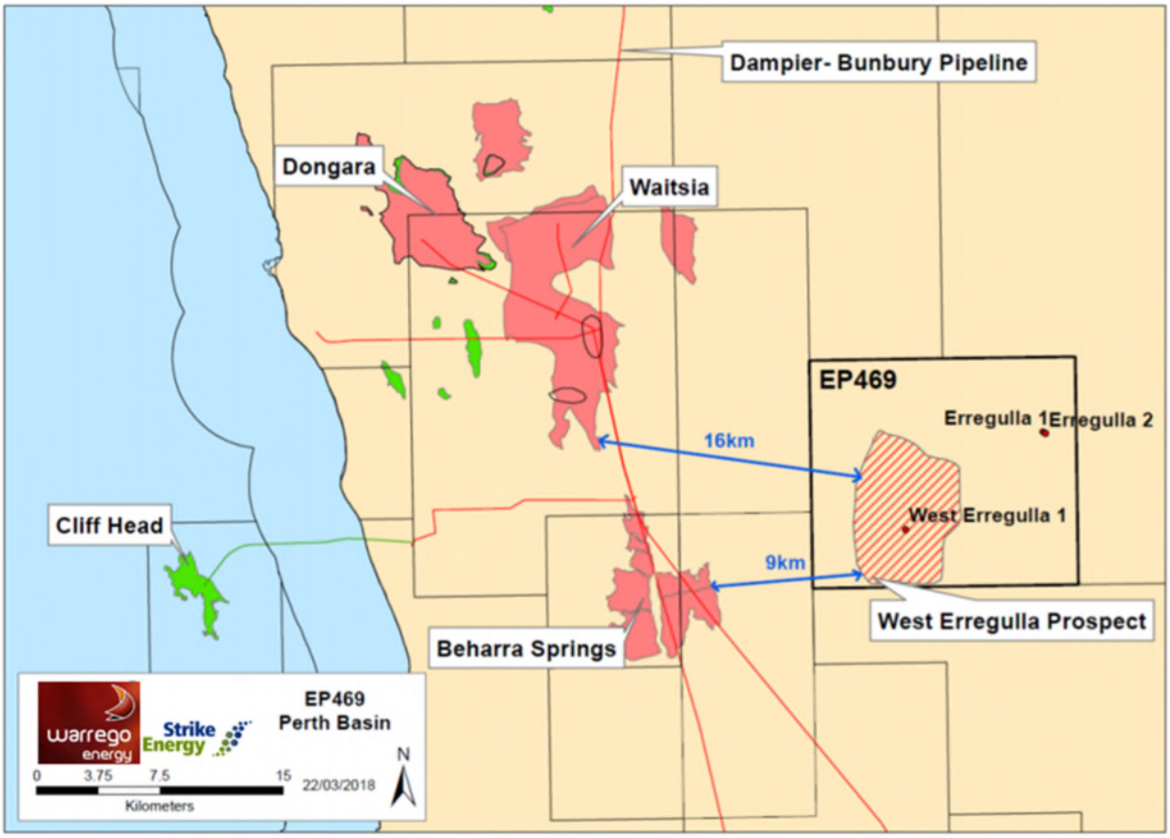
Warrego Energy (UK) Limited ("Warrego") is a single asset company which holds North Perth Basin Exploration Permit 469 in Western Australia. Warrego farmed out a 50% interest in EP469 and operatorship to Strike Energy Limited ("Strike") via a joint venture arrangement in June 2018. As part of this agreement 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

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.



DRILLING 2019

North Perth Basin Drilling

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. Strike agreed to fund the first A$11,000,000 of expenditure on the West Erregulla-2 well, paid A$600,000 to Warrego and became the operator.

Strike has signed a contract with Easternwell to drill the West Erregulla-2 well to 5,200 metres using Easternwell’s Rig 106.

Easternwell’s Rig 106 source
https://www.easternwell.com.au/news/view/102/easternwell-to-provide-drilling-services-for-strike-energy

Tesorillo Drilling

In addition to the West Erregulla-2 well in the first half of 2019, Petrel and Prospex Oil and Gas Plc (AIM:PXOG) (“Prospex”) are aiming to drill Tesorillo-1 (Cadiz Spain) towards the back half of 2019.

2019 Drilling Primarily Funded by Partners

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). Warrego has a 50% interest in EP 469 and Strike 50.1% in Tesorillo when the final tranche of the share purchase is completed by (Prospex). The residual exposure for the enlarged entity will then be limited to 50% of any project cost overruns in excess of the amounts funded by partners for each well.

TESORILLO PROJECT

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain
Tesorillo Project, Cadiz, Spain (85%)

Funding & Interest Transfer

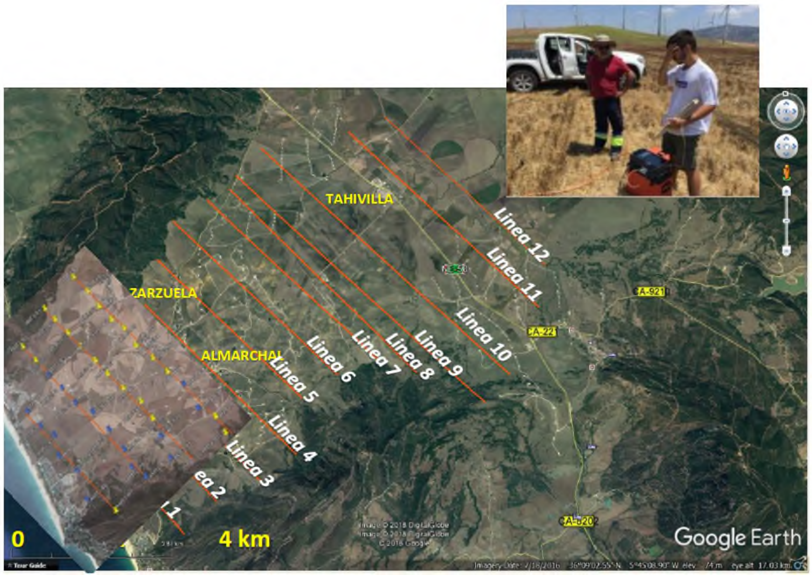
Under the Share Purchase Agreement ("SPA"), signed on 18 December 2017 it was agreed that Propsex could purchase up to a 49.9% of Tarba Energia S.R.L.(Tarba) ordinary shares in three tranches. Tarba is the Tesorillo license holder. Initial consideration of €48,750 was paid at first closing for 2.5% and a further €280,000 was paid on 21 December 2018 at second closing for 12.5% to fund the current magnetotelluric programme. Prospex currently owns 15% of Tarba's shares. Final consideration of €1,725,000 is payable at the final closing for 34.9%, subject to, amongst other conditions, the completion of the magnetotelluric programme and the approval of a Tesorillo appraisal well being drilled within the 6-year licence period.

On completion of the third tranche closing, the €2,053,750 paid by Prospex will be used to fund Petrel's share of an agreed Tesorillo work programme (estimated at €3,823,000) which includes the current magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956.

Netherland Sewell and Associates ("NSAI") have independently certified an unrisked Prospective Resource of up to 2,289 BCF* (2.3TCF) (1,946 BCF 85% net to Petrel reducing to 1,147 BCF 50.1% net to Petrel upon completion of Prospex Share Purchase Agreement) for the Tesorillo Project as outlined below.

Tesorillo	Prospective Resource BCF*		Original Gas In Place BCF	
Net to Petrel^	85.0%	50.1%	85.0%	50.1%
Low Estimate (P90)	187	110	624	368
Best (Median) Estimate (P50)	706	416	1,412	832
High Estimate (P10)	1,946	1,147	2,780	1,638

^ Petrel's 85% working interest will reduce to 50.1% upon completion of the Prospex Share Purchase Agreement. Proceeds of €2.05m (100%) will be used by Petrel to fund its share of an agreed Tesorillo work programme (estimated at €3.82m) which includes a magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956. The estimates of net volumes provided in this statement were derived from estimates of gross volumes for each prospect determined by Mr Dan Walker, a full time employee of Netherland, Sewell and Associates Inc., Dallas, Texas, USA, on 5 May 2015, in accordance with Petroleum Resources Management System guidelines. Mr Dan Walker is a Licensed Petroleum Geologist, a qualified person as defined under the ASX Listing Rule 5.41 and has consented to the inclusion of this information in the form and context in which it appears.



Operations

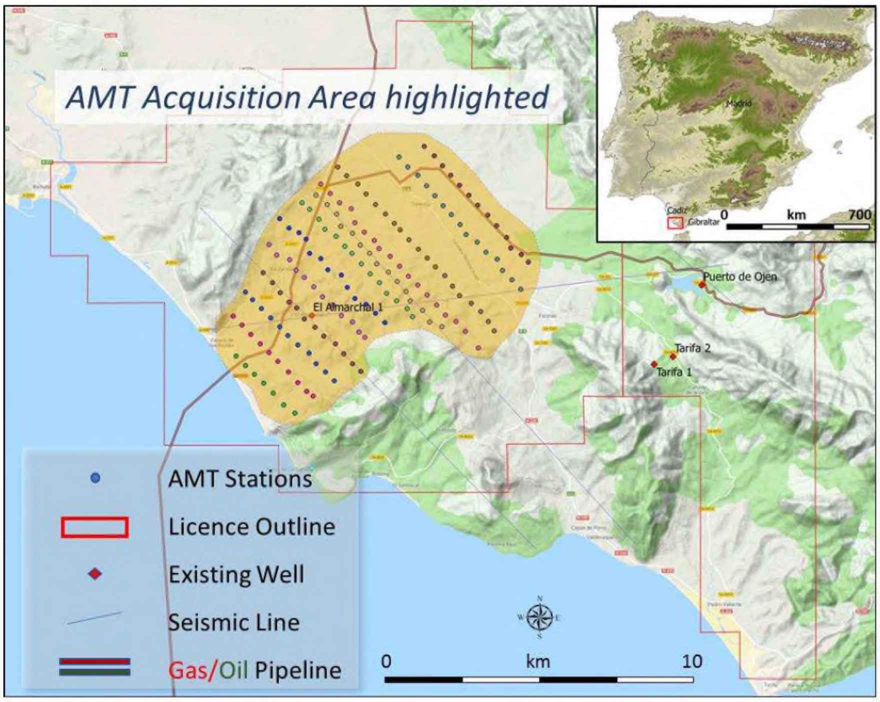
The 2018 field programme has now been concluded and was focused on three strands. In addition, whilst this was being undertaken other important historic information has been gathered that will influence the Project going forward.

The first strand of the recent programme consisted of general field studies to provide information that is required to populate the Environmental and Social Impact Assessment ('ESIA') report. It is estimated that ca.70% of the overall fieldwork required for the ESIA is complete now. The final steps e.g. the hydrogeology, are well location dependent. These will be completed once the new drilling location is decided.

The second strand was a detailed surface structural geology mapping exercise by a leading structural geologist from Granada University. The new map and related cross-sections show that the structural subsurface geometry of the exploration target (The Aljibe sandstone in the Lowermost Miocene) is formed by possibly several folds and thrust ramps of 3 to 5 km length which are inferred to be potential gas traps.

The results have been formally presented to the Energy Resources Section of the Spanish Geological Survey (IGME), during a recent meeting in Madrid.

The third strand, an Audio Magneto Telluric survey, was hampered and delayed by poor access to the study areas after the summer. The appointed contractors have now completed multiple tests over important areas and the raw field data is being processed now. Dependent on these results, and the accessing of the original raw seismic data, see below, Tarba may seek to complete the full programme in 2019.



Source: MINETAD, Natural Earth, Google Physical, Company

Tarba Company recently found in national archives the original 2D raw data of four seismic profiles acquired by Repsol in 1991. One line intersects the Almarchal-1 well drilled in 1957. Prior to this the seismic data used had been processed with older techniques and limited surface geology knowledge. Tarba will reprocess the retrieved data using modern depth migration routines available in the coming months.

The findings of second and third strands of work plus the reprocessed seismic data will be used to underpin the location of new gas exploration wells within the licence. The work programme represents a significant turning point for the Tesorillo project and particularly the start of processes and approvals to see a well drilled in 2019.

NORTH PERTH BASIN PROJECT

Call option over STP-EPA-0127 application Coolcalalaya Western Australia targeting conventional and unconventional (2.2 million acres)

Background

Petrel entered into a Call Option Deed in April 2016 which provided a call option over all the shares in Palatine Energy Limited (Palatine) for $200,000 in cash or Petrel ASX listed ordinary shares with a further $100,000 of shares payable once approvals are in place and a work programme has commenced in the northern Perth Basin Permit.

The initial Call Option Deed was subject to progress on Native Title Agreements with 3 native title parties which were in the early stages of negotiations. With the substantive terms of the three Native Title Agreements almost finalised and about to be lodged with the WA

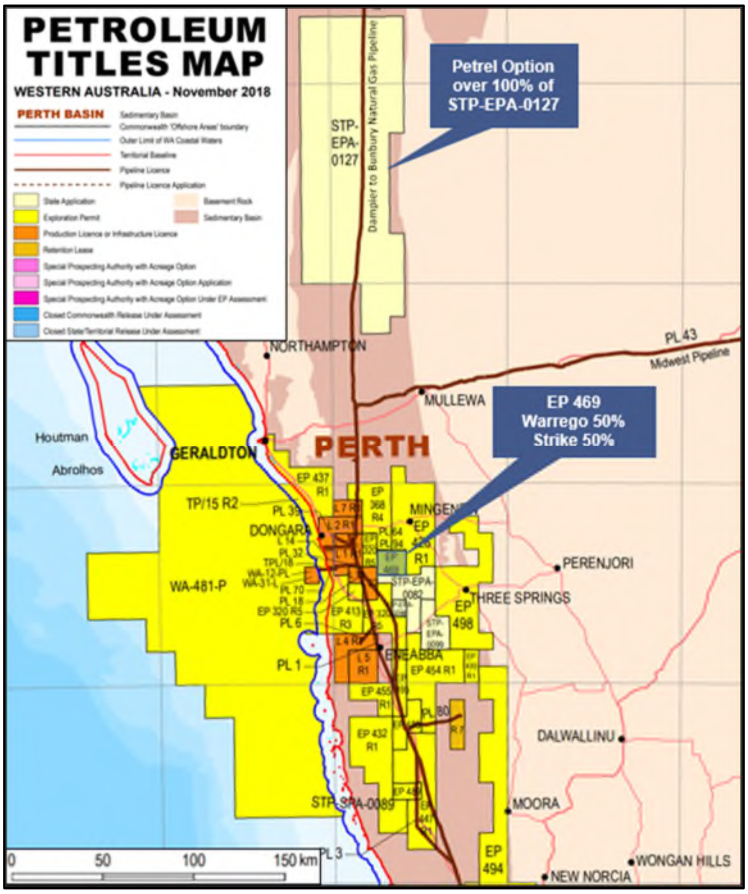
Department of Mines, Industry Regulation and Safety, Petrel is hopeful of the Exploration Permit being granted and has elected to extend for a further year for $10,000 to allow this process to be completed. Petrel will meet all reasonable costs in relation to the native title negotiations during this period. Petrel and Warrego have agreed that the call option will be exercised shortly.

STP-EPA-0127

STP-EPA-0127 which on final grant will be 2.2m acres (8,700 square kms) will be the largest of the exploration permits in the Perth Basin. It is 130 km north of the AWE - Beach Perth Basin Waitsia play which has re-invigorated Perth Basin exploration and development and is the largest onshore conventional gas discovery in Australia for the last 40 years. AWE Limited was recently taken over by Mitsui & Co in an all cash offer valuing AWE at $602m based largely on its 50% interest in the Waitsia gas project in the Perth Basin.

Palatine also holds a 50% interest in both STP-EPA-0071 and STP-EPA-0118 in the Western Officer Basin, Western Australia however both these EPA's are the subject of a sale agreement which will complete once the relevant Exploration Permits are granted. Total proceeds from the sale will be $50,000 and a 1% well-head Royalty.

While the newly discovered adjacent conventional Waitsia type potential is an encouraging recent development, an additional attractive feature of this opportunity is the significant Permian and Devonian unconventional potential as well as additional conventional targets.



URUGUAY PROJECT

Targeting conventional oil/gas targets in Piedra Sola and Salto Concessions (3.5 million acres)

Background

Petrel acquired a 51% interest in a large petroleum project in Uruguay from Schuepbach Energy International LLC ("SEI") in 2 stages during 2012-13. The project comprises two concessions, Piedra Sola and Salto, covering 14,000 sq. km (3.5 million acres) which are held under separate production sharing contracts. Early exploration activities included a magnetotelluric (MT) survey across the Piedra Sola and Salto followed by an initial corehole programme which confirmed the existence of an active hydrocarbon system with multiple source rocks and potentially widespread, very high permeability, conventional reservoir sands. Success with the Cardozo Chico E-1 and Achar E-1 coreholes some 30km apart confirmed the existence of free oil in different formations over much of the Piedra Sola block. These findings provided sufficient evidence to pursue a 597 kilometre 2D seismic programme which was successfully completed in Uruguay in 2014.

Initial interpretation of the seismic data completed in early 2015 revealed obvious geological structuring resulting in identification of an initial 20 conventional structural targets, and many at relatively shallow depths, it also enabled Netherland Sewell and Associates ("NSAI") to independently certify an unrisked gross Prospective Resource in the Salto and Piedra Sola concessions of up to 910 MMBBL oil and 3,105 BCF gas (up to 446 MMBBL oil and 1,521 BCF gas * to Petrel's net 41% interest -see below for details of subsequent transactions leading to this holding) as outlined below.

Salto & Piedra Sola Concessions **41%** Net to Petrel (Conventional only)				
	Prospective Resource		**Original Oil & Gas In Place**	
	Oil (MMBBL)	**Gas (BCF)**	**Oil (MMBBL)**	**Gas (BCF)**
Low Estimate (P90) *	**61**	**236**	**229**	**367**
Best Estimate (P50)	**166**	**603**	**578**	**934**
High Estimate (P10)*	**373**	**1273**	**1186**	**1939**
The estimates of net volumes provided in this statement were derived from estimates of gross volumes for each prospect and lead determined by Mr Phil Hodgson, a full time employee of Netherland, Sewell and Associates Inc., Dallas, Texas, USA, on 14 May 2015, in accordance with Petroleum Resources Management System guidelines. Mr Phil Hodgson is a Licensed Petroleum Geologist in the State of Texas, a qualified person as defined under the ASX Listing Rule 5.41 and has consented to the inclusion of this information in the form and context in which it appears.				

2017 Drilling Programme

SEI undertook a four-well drilling programme in 2017 designed to unlock the significant geological potential within the Company's 3.5m acres in Uruguay. Forecast expenditure was contingent on forecast drilling days being accurate in the field, dry hole completions only (i.e. no completion / testing) and partner participation in both budgeted and overrun expenditure. The success of the Cerro Padilla-1 well with oil shows in 2m of oil saturated sand at 793m necessitated completion and testing of the well. The subsequent testing of sample oil represented a quantum first step in redefining the oil, and potentially gas, prospectivity of the Norte Basin Uruguay. The well was slightly off structure with follow up seismic and drilling now the likely next step in Piedra Sola. This testing programme added 20 days to the drilling forecast and effectively cost the programme a well.

The second Cerro de Chaga-1 well, in the Salto permit, situated over a very large structure with considerable oil and gas potential was commenced in mid-November 2017. Despite making good early progress a fault was unexpectedly encountered drilling towards the base of the basalt, which resulted in hole stability issues ultimately requiring this zone to be cemented and the hole suspended.

Funding

During the drilling of the second well, in December 2017, Petrel's Uruguay partners failed to meet their share of a US$4m Schuepbach Energy International LLC ("SEI") funding requiring Petrel to increase its interests in both its Uruguay and Spain projects from 51% to 62.7%. for a US$3m outlay.

Petrel unsuccessfully sought $4.5m from shareholders in March-April 2018 under a rights issue for further drilling of Cerro de Chaga-1 to target depth, or if the fault could not be cleared, drilling of Canada de Fea -1 well. With no funding available for Uruguay operations Petrel undertook the SEI Transaction in 2018 to reduce Petrel's interest in Uruguay from 62.7% to 49% to increase its interest in the Tessorillo Project from 62.7% to 97.5%.

SIH exercised their option to invest up to $500,000, as preferred capital convertible to repay outstanding liabilities in return for a further 8% interest in SEI. SIH have elected to convert this preferred capital in return for a further 8% interest in SEI thereby reducing Petrel's interest to 41%.

SIH will have the right to exclusively fund SEI for $1,500,000 which would increase its interests 9.5% to 68.5% if all contributions above had been made. To date SIH has invested over US$80,000 under this funding right to among other things progress the permit extension process.

FINANCIAL

Consolidated cash at 31 December 2018 was $298,000.

During the December quarter directors and management were paid one month's salary in order to conserve funds. Success with the Warrego Transaction will see directors and management fully paid for this period.

A summary of Petrel's cash flow for the Quarter and year to date is contained in the attached Appendix 5B statement.

CORPORATE

As Petrel looks to restructure both its portfolio and corporate profile it announced on 22 October 2018 the appointment of Greg Columbus to the Board as a Non-Executive Director. Mr Columbus was appointed Chairman of the Company and Remuneration Committee at the 2018 AGM. Greg's previous international oil and gas industry experience will enhance the Company's ability to drive its current projects forward while continuing to identify other ways to increase shareholder value.

For further information contact:

David Casey
Managing Director
Phone +61 2 9254 9000

Petrel
ENERGY LIMITED

Tenement Listing

Tenement reference	Location	Nature of interest	Interest at 31 Dec. 2018		Interest at 30 Sept. 2018	
				Gross Acres		Gross Acres
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach	41.0%	2,525,000	41.0%	2,525,000
Salto	Norte Basin, Uruguay	Energy Int. LLC	41.0%	925,000	41.0%	925,000
Tesorillo^	Cadiz, Spain	Via Tarba	85.0%	68,800	97.5%	68,800
Ruedalabola^	Cadiz, Spain	Energia SRL	85.0%	10,200	97.5%	10,200
				Gross Acres		Gross Acres
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	40%	640	40%	640
				640		640

Note: Petrel does not have any interest in any farm-in or farm-out agreements.

^ Petrel's 85% working interest will reduce to 51.1% upon completion of the Prospex Share Purchase Agreement. Proceeds of €2.05m (100%) will be used by Petrel to fund its share of an agreed Tesorillo work programme (estimated at €3.82m) which includes a magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

PETREL ENERGY LIMITED

ABN	**Quarter ended ("current quarter")**
82 125 394 667	31 December 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(188)	(353)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(31)	(165)
	(e) administration and corporate costs	(373)	(677)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(591)**	**(1,194)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(6)	(6)
	(b) tenements (see item 10)	-	-
	(c) investments	-	(30)
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments – Tarba 12.5% to PXOG	433	433
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**427**	**397**

3.	**Cash flows from financing activities**	-	-
3.1	Proceeds from issues of shares	-	965
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings		
	➢ Loan from associate - PXOG	295	502
	➢ Premium funding	73	73
3.6	Repayment of borrowings		
	➢ Loan from associate - PXOG	(433)	(433)
	➢ Premium funding	(52)	(52)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(117)**	**1,055**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	583	44
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(591)	(1,194)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	427	397
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(117)	1,055
4.5	Effect of movement in exchange rates on cash held	(4)	(4)
4.6	**Cash and cash equivalents at end of period**	**298**	**298**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	298	583
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**298**	**583**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	31
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors and MD/Chief Executive Officer salaries/fees

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Warrego Loan Arrangements	300,000	0

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Interest free loan from Warrego repayable only on successful completion of RTO.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	(180)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(180)
9.5	Administration and corporate costs	(220)
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**(580)**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: I Kirkham Date: 31 January 2019
(Director/Company secretary)

Print name: Ian Kirkham

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.