

OPERATIONS REPORT

Petrel's Portfolio of Assets



Uruguay Piedra Sola & Salto Concessions	
Spain Cadiz	
Canada Alberta	

Uruguay Operations

Piedra Sola and Salto Concessions, Norte Basin, Uruguay

In October 2012 Petrel acquired an interest in a large conventional and unconventional petroleum project in Uruguay. 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.

Exploration activities commenced in early 2013 with the completion of a magnetotelluric (MT) electromagnetic survey acquired across the Piedra Sola and Salto concessions with results confirming the existence of a northwest-trending rift basin with Devonian and potential Permian sediments. This was 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.

These very good porosity and permeability measurements for Cardozo Chico E-1 and Achar E-1 coreholes some 30km apart and the existence of free oil in different formations over much of the Piedra Sola block provided sufficient evidence to pursue a US\$5.5m seismic programme.

The 597 kilometre 2D seismic programme was successfully completed in Uruguay from July to October 2014. The programme was designed to help define potential targets in between previously drilled coreholes and to provide insight into the scope and scale of the resource.

Interpretation of the seismic data, completed in January 2015, not only revealed obvious geological structuring and identified a deeper previously unknown basin in the Salto concession but was able to confirm the presence of a Devonian source rock section across both concessions. Notably it also identified an initial 20 conventional structural targets with many at relatively shallow depths. A very encouraging outcome for future programmes was also the quality of data that could be acquired through the up to 1000m of basalt that overlies the exploration blocks in parts.

The seismic data enabled Petrel to define the “first ever” independent resource certification for Uruguay with Netherland, Sewell and Associates, Inc. (“NSAI”) certifying an unrisks gross Prospective Resource in the Salto and Piedra Sola concessions of up to 910 MMBBL oil and 3,105 BCF gas (up to 464 MMBBL oil and 1,583 BCF gas* to Petrel’s net 51% interest).

Salto & Piedra Sola Concessions^{*^} 51% Net to Petrel

	Prospective Resource [^] #		Original Oil & Gas In Place	
	Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)	Gas (BCF)
Low Estimate (P90)*	75	293	285	456
Best Estimate (P50)	206	751	719	1161
High Estimate (P10)*	464	1583	1475	2412

* The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

[^] Prospective Resource assessments are estimated using probabilistic methods in accordance with PRMS standards. Oil and Gas Reserves and Contingent Resources cannot be estimated under SPE-PRMS Guidelines with currently available data.

Volumes above are based on arithmetic summation and are not adjusted for risk of discovery or risk of development. Arithmetic sums of unrisks prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are therefore not included in Netherland, Sewell & Associates, Inc.’s certification. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risks prospective resources. Such risk is often significant.

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 use of the gross resource figures in this announcement.

4 Well Programme - Background & Objectives

Drilling programme 2016-17

The four well Drilling Programme commenced in December 2016 utilising the \$5.3m raised in September 2016, and was expected to complete by May 2017. The rig fit out faced delays and did not depart Houston until mid-March and arrived on site in mid-May. A further \$2.5m was raised in May to cover drilling cost and potential overruns prior to the first well, Cerro Padilla-1 spudding on 5 June. Drilling operations were temporarily suspended to analyse difficult drilling conditions with equipment ordered to expedite drilling. Drilling recommenced on 4 July.

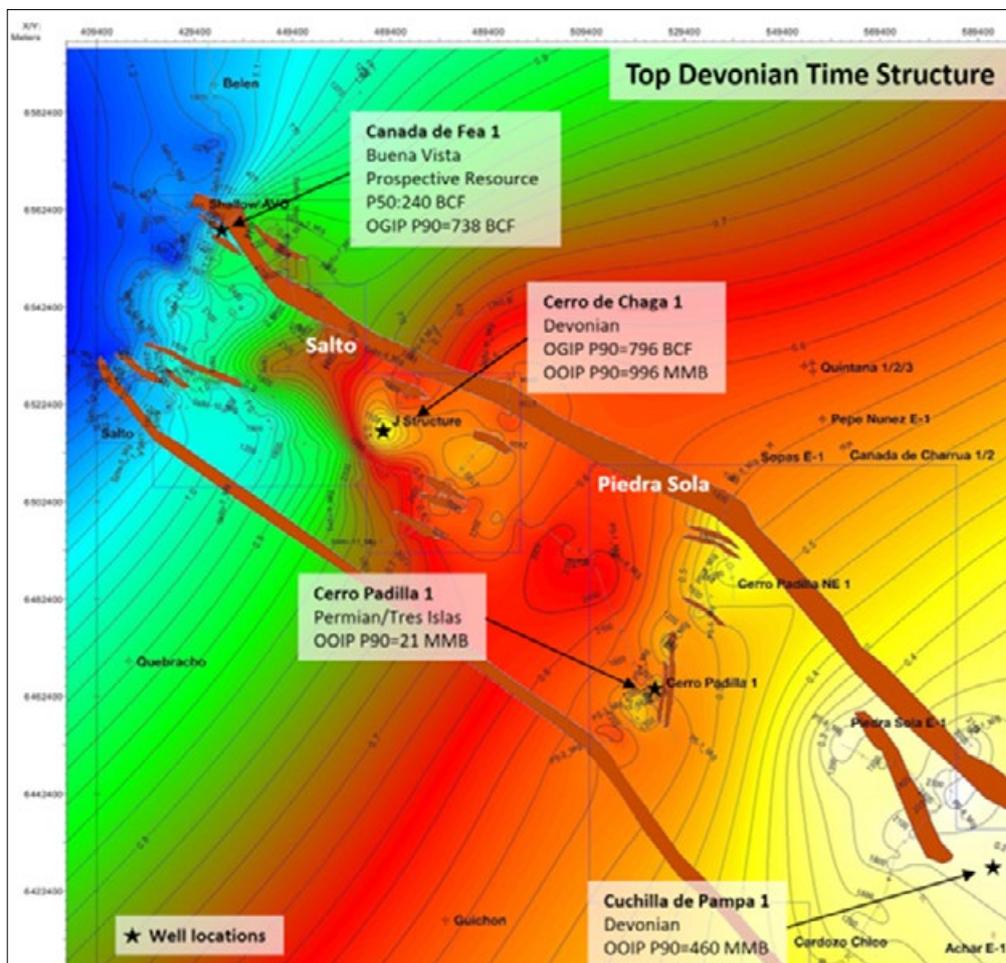
By 25 July the rig had drilled to ~100 metres and set surface casing with the BOP installed and successfully tested. While up to a week had been planned for operational approvals with the crew on standby, this ultimately took until 11 August.

On 28 August with only 10m of basalt remaining and 3-5 days of drilling remaining before setting

casing, the drill string parted and drilling was again temporality suspended. Initial fishing operations were partially successful with additional equipment ordered from the US to complete fishing operations.

These delays in the field incurred rig rates at stand-down, standby or full drilling rates along with operational and general overhead leading to a further funds being required in October 2017. Currently a capital raising to raise up to \$5.5m is underway with \$3.5m locked in through a placement and underwriting.

A number of these challenges could have, and should have been better managed by the project Operator, and it was decided to undertake an independent review of drilling operations and management processes. This was undertaken by international experts New Tech Global Ventures (NTG), headquartered in Houston, who then went on to manage the successful fishing operation. Soon after NTG were retained by the Operator to manage all onsite operations.



Four well programme extends SE/NW across both concessions

Uruguay Operations

With funding and management changes made operations recommenced and the Cerro Padilla-1 well was successfully drilled to a Total depth (TD) of 845m and became the first well onshore Uruguay to discover hydrocarbons by identifying a 2m oil saturated Permian sand. Project risk is now much better understood having gone through these processes, and notwithstanding the early success in the first well, the overall objectives of the drilling programme remain largely unchanged as follows:

- › confirm source rock maturity, quality and extent - "resource upside"
- › confirm conventional reservoir quality and extent - Darcy permeability (>1000md) already measured in core samples 30km apart
- › confirm migration and potential trap integrity - while not the primary objective 3 of the 4 wells are also targeting structures for oil and gas trapped in either the same sequence or up-dip of oil shows and/or weeping core samples
- › confirm validity of AVO anomalies identified on seismic

In summary and subject to results, the initial objective is to drill four wells as cost effectively as possible and cover as much of the concession area as possible while targeting multiple and different objectives within and across each well.

Well #1 Cerro Padilla - 1

This well was designed to confirm the reservoir potential of the Tres Islas sand and Permian source rock at shallow depth.

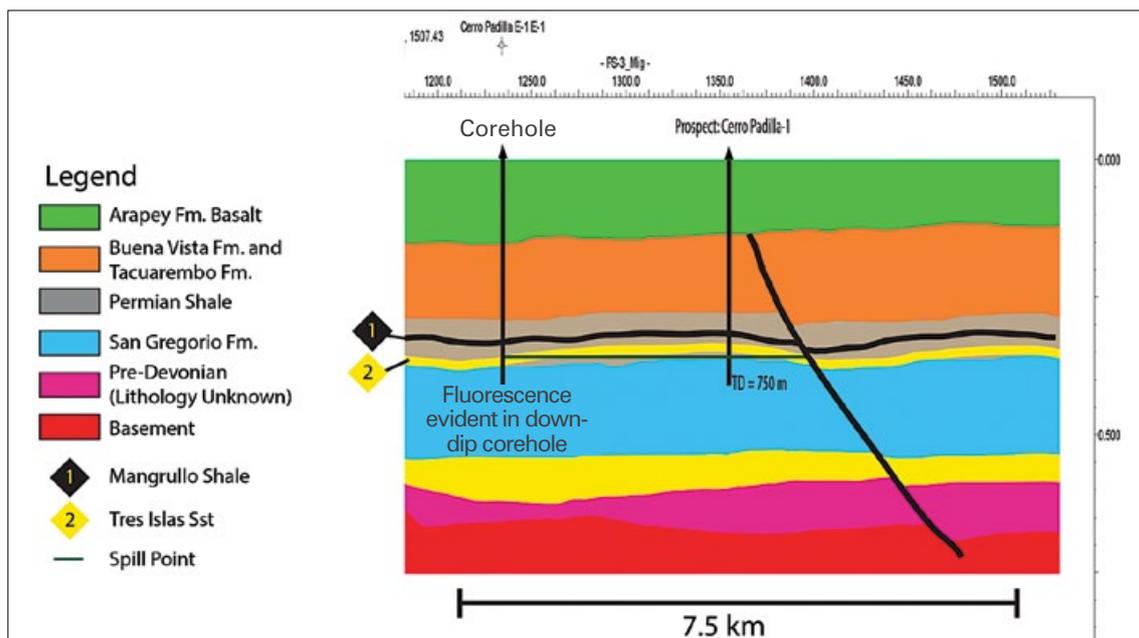
Well objectives:

- › Drill on same fault block but up dip of Cerro Padilla E-1 corehole which encountered 3m of Tres Islas sandstone with flowing fluorescence to confirm potential oil charge
- › Permian source rock quality
- › Permian Tres Islas OOIP P90 = 21MMB

Results:

The well was successfully drilled to a Total Depth (TD) of 845m and encountered significant oil shows with logging confirming 2m of oil saturated sand at 793m.

Although only a modest discovery in its own right, as the first ever of hydrocarbons in Uruguay, and the first well of a 4 well programme, it represented a quantum first step in redefining the oil and potentially gas prospectivity of the Notre Basin going forward.

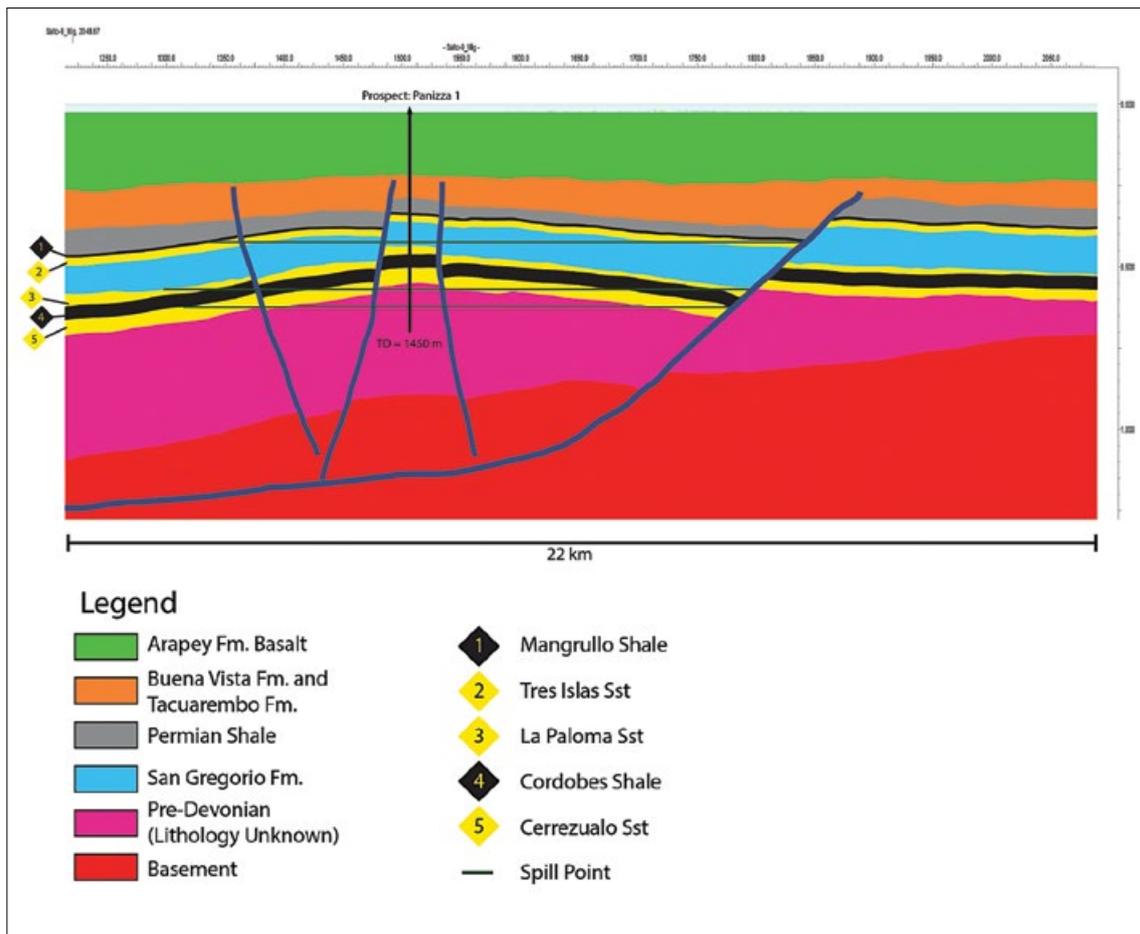
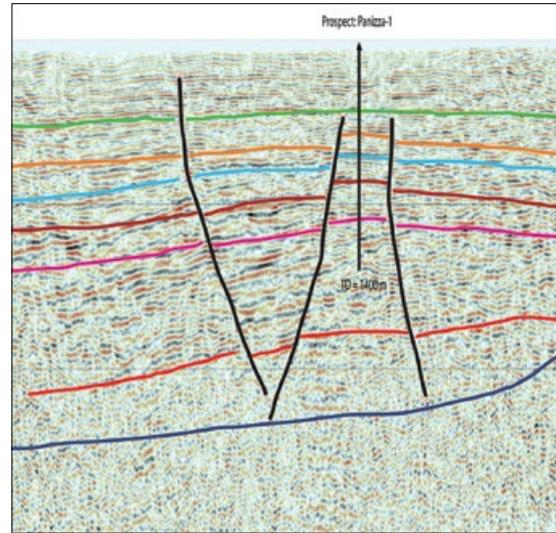


Well #2 Cerro de Chaga-1 well (Panizza)

This well will test a very large regional structure with multiple source rock and reservoir targets. It importantly presents a shallow opportunity to test the very thick (300 metres) Devonian Cordobes shale sequence.

Well objectives:

- › Test largest regional high with 4-way dip closure
- › Confirm extent, quality and maturity of Devonian source and reservoir rock
- › Test quality and maturity of secondary Permian source rock - Mangrullo Shale
- › Devonian OGIP P90 = 796BCF & OOIP P90 = 996MMB

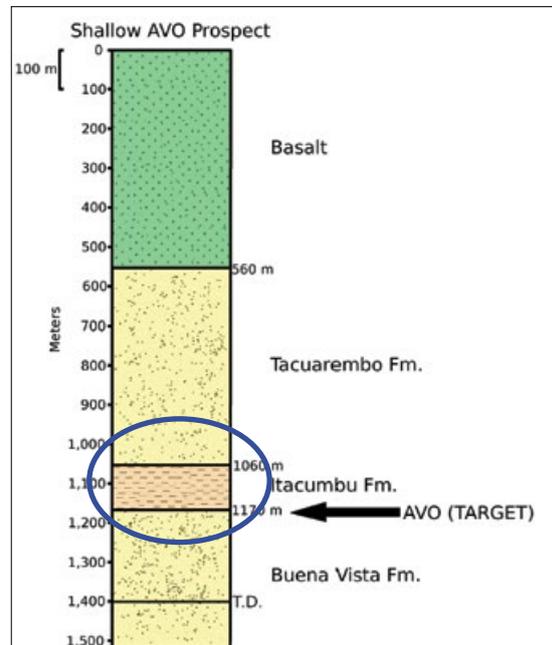
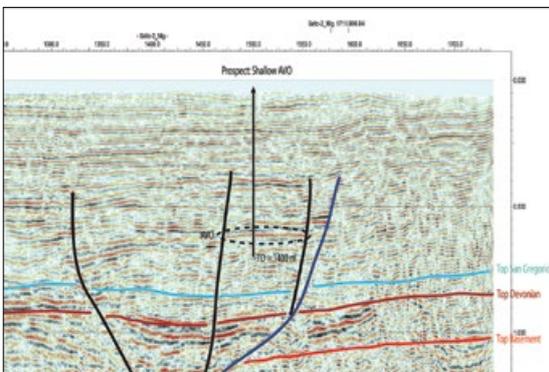


Well #3 Canada de Fea-1 (shallow AVO)

This well will test a shallow AVO prospect which has been identified by several seismic lines. AVO's significantly de-risk exploration and can become a very successful exploration tool when calibrated for local geology.

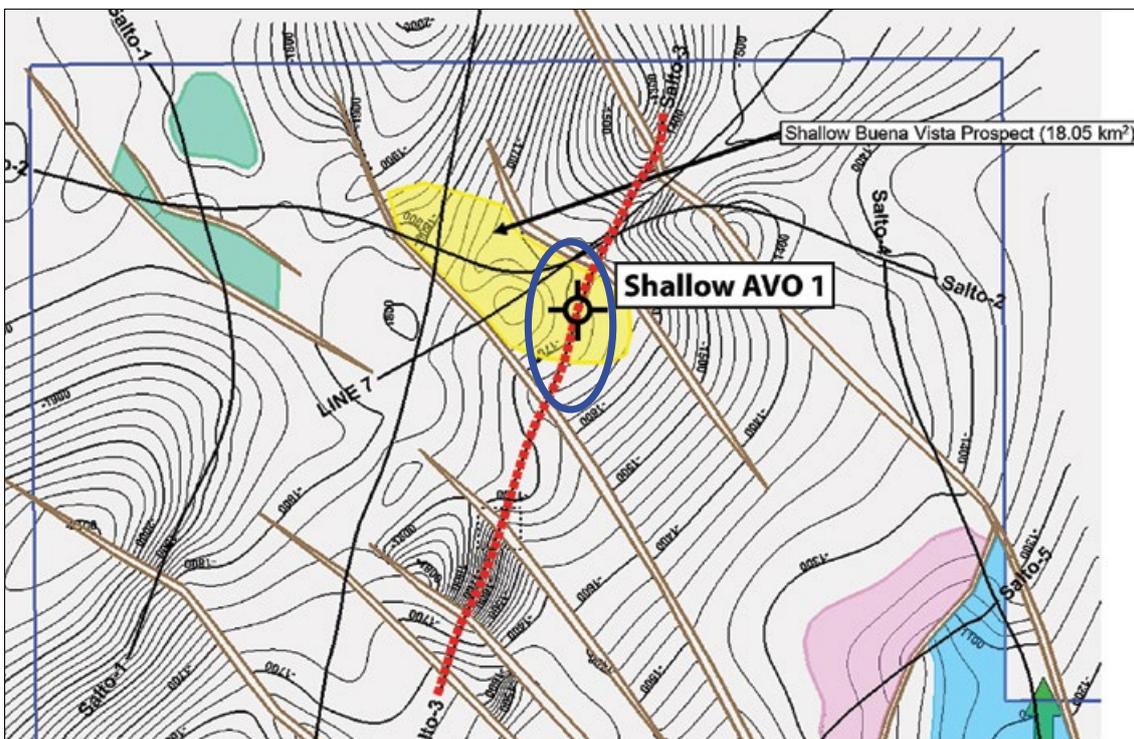
Well objectives:

- › Test shallow AVO prospect identified by several seismic lines
- › Confirm and refine thermal maturity model
- › Establish potential of additional targets
- › NSAI certified P50 prospective resource of 240bcf



AVO is favourably:

- › coincident with sandstone unit
- › Beneath potential shale/seal
- › Between potential sealing faults

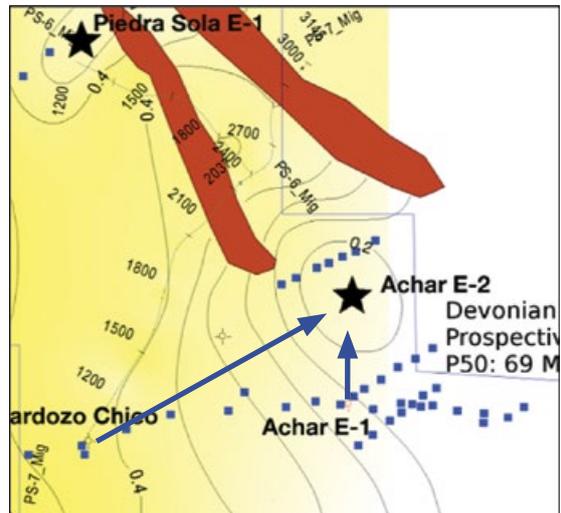
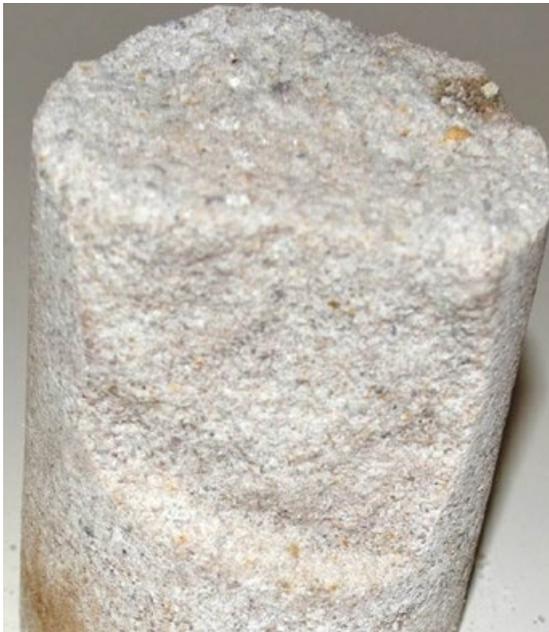


Well #4 Cuchilla de Pampa-1 (Achar)

This well is a very low cost opportunity to confirm oil migration and test/calibrate the magnetotelluric data set.

Well objectives:

- › Cordobes shale quality and development
- › Testing oil migration in highly (+1000md) permeable sands up dip of Achar E-1 corehole
- › Devonian OOIP P90 = 460MMB



Testing up dip oil migration to potential trap Darcy Permeability in Cardozo Chico and Achar Coreholes



Darcy Permeability in Cardozo Chico and Achar Coreholes



Corehole Achar E-1; Oil leaching from Devonian sandstones just below Cordobes Shale

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain Tesorillo Project, Cadiz, Spain (51%)

Background

On the 26 October 2012, Petrel acquired a 25% interest in Schuepbach Energy International LLC (SEI), a private US company which holds an 85% interest in two petroleum exploration licences in southern Spain. The licences, Tesorillo and Ruedalabola, cover 38,000 ha (94,000 acres).

The 1956 well Almarchal-1 was drilled by the Spanish firm Valdebro and intersected a thick section of gas pay which upon testing flowed gas to surface. The well is located 3km from the North African Maghreb gas trunkline providing ready access to high priced European gas markets.

Almarchal-1 is the discovery well of what is likely a very large by-passed gas field. Drillstem tests and log analysis confirm 48m of proven gas pay from two Miocene Aljibe Formation sandstone intervals. A further 492m of probable gas pay is interpreted from logs but unconfirmed by testing.

The well is located on a seismically delineated thrust ramp anticline with closure area exceeding 70 km². Multi-TCF gas-in-place is indicated.

The 1957 Puerto de Ojen-1 well, located 15km to the east in Ruedalabola license, displayed similar gas shows to Almarchal-1 but could not be tested for mechanical reasons. It appears to be located on a separate large thrust feature.

Netherland Sewell and Associates (“NSAI”) have independently certified an unrisks Prospective Resource of up to 2,289 BCF* (2.3 TCF) (1,116 BCF net to Petrel) for the Tesorillo Project as outlined below.

In 2014-15 a farm out process was reasonably successful in identifying potential interested partners but was ultimately held captive to continual and unsupported delays to the permitting process. With documentation for approval to drill Tesorillo-1 submitted over 4 years ago, only now with recent government changes, is there some clarity around the approvals process. This has allowed for rejuvenated farm out discussions which could bear fruit by the end of the year.

Tesorillo* ^ 51% Net to Petrel	Prospective Resource ^ BCF	Original Gas in Place ^ BCF
Low Estimate (P90)	112	374
Best (Median) Estimate (P50)	414	828
High Estimate (P10)	1,116	1,595

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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 use of the gross resource figures in this announcement.

Canadian Operations

Lochend Cardium Project, Alberta (40% working interest)

Targeting “tight oil” in lower siltstone and sandstone in 1,792 acres.

Exploration activities at Petrel’s Lochend Cardium project remain on hold. Having unsuccessfully sought expressions of interest for its interest in the Lochend Cardium joint venture in

2014/15 and given the current oil price Petrel continues to review its sale options on these assets. An impairment charge was recognised against Cardium oil assets in the 2015 financial statements writing the book value down to nil.

The Lochend 16-19-25-3W5M well which came on line in late March 2013 yielding a 30 day initial production rate (IP30) of around 150 bopd averaged 8 bopd during the year.



Alberta, Canada

CORPORATE

Capital Raising

In September 2016 a rights issue was underwritten by Patersons Securities Limited and raised \$3.0 million. The company then placed 98% of its shortfall raising a further \$2.3 million in 3 further tranches by 30 November 2016. In May 2017 a placement raised \$2.5m.

In September-October 2017 a placement and rights issue was undertaken to raise up to \$5.4m. A minimum of \$3.49m will be achieved through a successful \$880,000 placement and a \$2.61m underwriting by Patersons Securities Limited. Further details are provided in the following

Financial Report for the year ended 30 June 2017 and the current Rights Issue Prospectus available on the Company’s website.