



**ASX/MEDIA RELEASE  
21 December 2018**

## **Warrego Share Purchase Agreement Signed**

- **SPA to effect merger with Warrego via a reverse takeover signed**
- **Completion of RTO planned for 19 February 2019**
- **EGM to approve reverse takeover scheduled for 18 February 2019**
- **Upon completion combined entity will hold a 50% interest in North Perth Basin EP469 containing the West Erregulla Prospect**
- **West Erregulla-2 drilling to commence in first half of 2019**

Petrel Energy Limited (ASX: PRL) ("Petrel") and Warrego Energy Limited ("Warrego") today announced the signing of a Share Purchase Agreement (the "SPA") agreeing the merger of the two groups via a reverse takeover (the "RTO"). 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.

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 and Warrego are preparing to drill the West Erregulla-2 well in the first half of 2019 which has very similar attributes to the nearby Mitsui/AWE Waitsia wells. It 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).

Petrel will continue energetically to work towards an admission to trading on the AIM market in London. Continuing uncertainty in the London markets around Brexit mean that this is now likely to occur in a window just prior to, or shortly after, the drilling of West Erregulla-2. The AIM listing is not a condition of the SPA. Hitting the right market conditions will be an important factor to maximise value for shareholders.

In addition to the West Erregulla-2 well in the first half of 2019, Petrel and Prospec Oil and Gas Plc (AIM:PXOG) ("Prospec") 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 Prospec at Tesorillo-1). Both Petrel and Warrego have 50% interests in each asset. The residual exposure for the enlarged entity remains limited to 50% of any project cost overruns in excess of these amounts for each well.

CEO and Managing Director of Petrel, David Casey said: "It's very rewarding that we have been able to agree final binding terms in such short order on what is definitely a transformative transaction for both Petrel and Warrego. I believe this is in large part due to the obvious project and corporate synergies but also important similar philosophical approaches to building what has the potential to be a very large international energy business. At the end of the day the scale of the combined portfolio along with the immediacy of next year's drilling at West Erregulla makes this a very compelling opportunity for all stakeholders and investors alike.

As good as the West Erregulla opportunity is, I think it's also important to acknowledge the potential of Tesorillo-1, particularly on the back of Petrel's AIM listed partner recently increasing its stake in the project to 15% ahead of the proposed drilling of a well towards the end of next year. The combined company is in



the enviable position of having a portfolio of material assets with very large carried interests in two truly company transforming wells in 2019.”

Warrego Managing Director Dennis Donald said: “Warrego shares its Australian partner’s enthusiasm for the merging of not only the respective companies’ assets but their skills sets, technical abilities and entrepreneurial approaches. We are committed to closing the RTO with Petrel and focusing on our strategy of maximising the international assets of the new listed company.”

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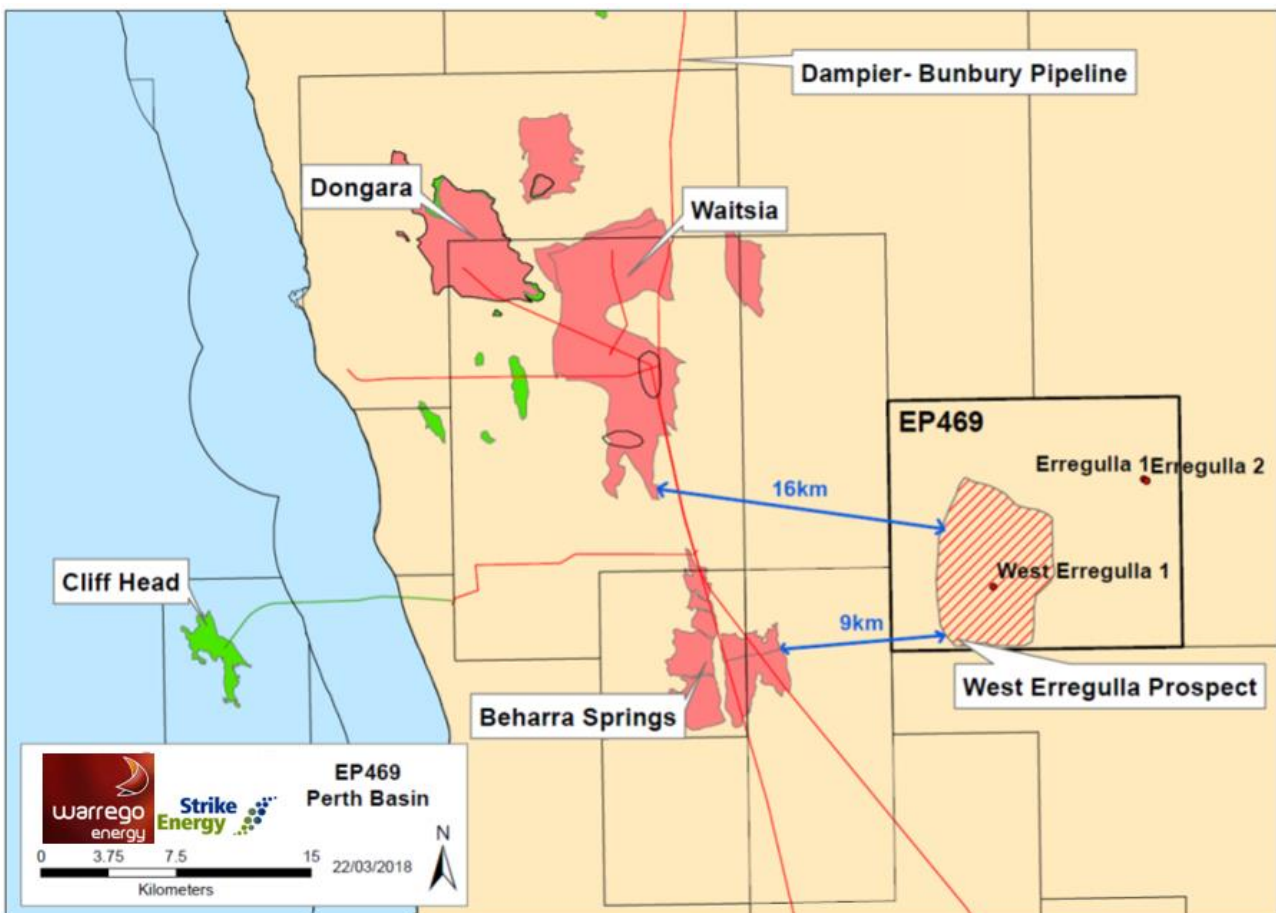
OVERVIEW OF WARREGO ASSET AND PROGRAMME FOR 2019

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.

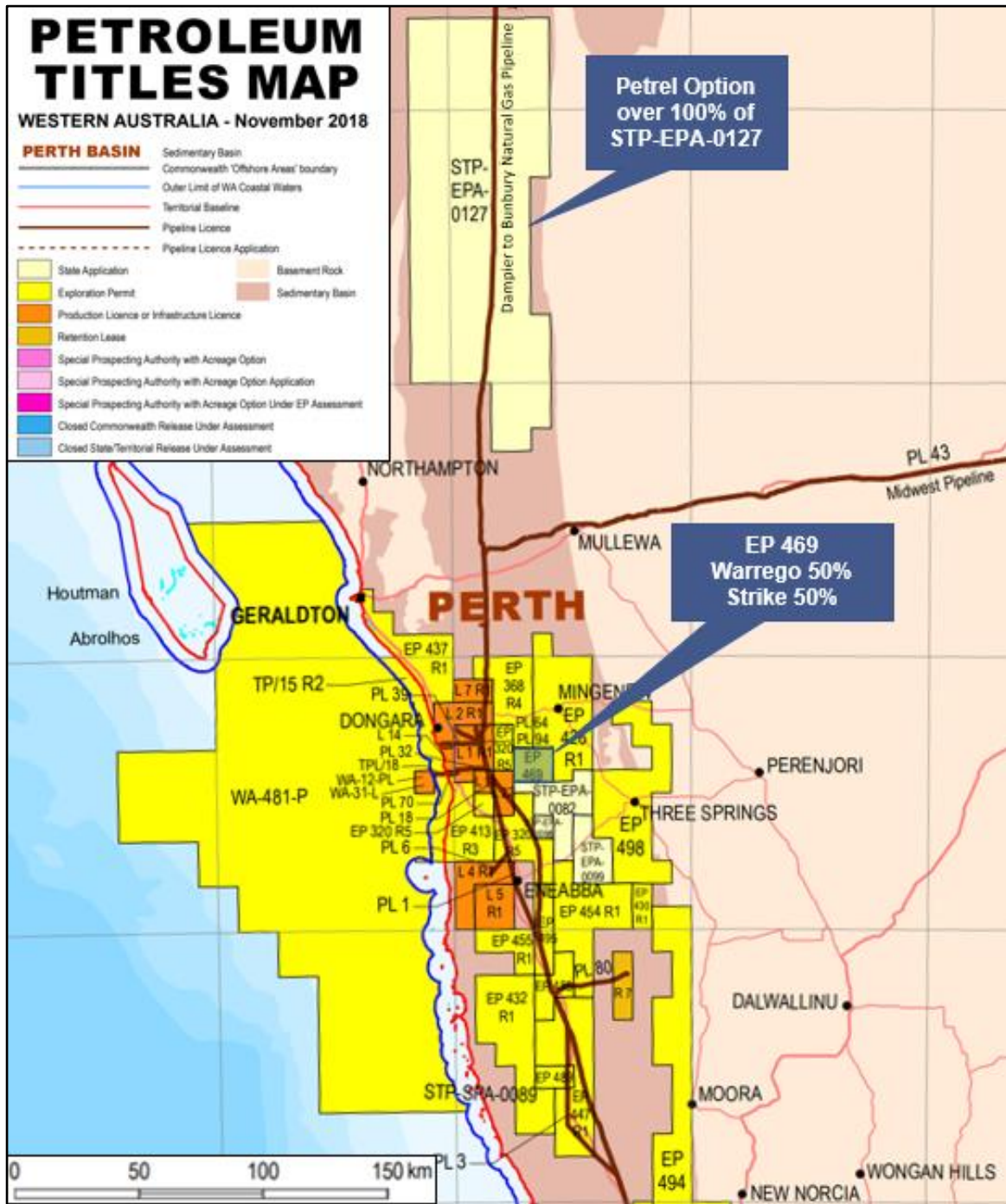
EP469 is located within the proven, yet underexplored petroleum system in the Northern Perth Basin. EP469 contains extensions of the known commercial plays from within the basin, which include the recent Kingia-High Cliff sand sequence (Waitsia), Irwin Coal Measures and the Dongara-Wagina formation (Beharra 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 has 80 km<sup>2</sup> of high quality 3D seismic (the majority of which is on Crown land) and has previously had three exploration wells drilled within the permit. Oil and gas was produced to surface from those wells. Warrego data validated by independent oil and gas advisory firm RISC Operations Pty Ltd, indicates 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 RTO is conditional on, amongst other matters, satisfaction of certain conditions precedent including satisfactory mutual due diligence, approval of Petrel's shareholders, the parties obtaining all necessary shareholder, regulatory and third party approvals and consents to give effect to the RTO.

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 contemplates that Warrego may raise interim funds 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. It is currently contemplated that the Convertible Notes, will be issued at a 20% discount, and will raise up to A\$6,000,000. Assuming that the RTO completes, the Convertible Notes will be converted into Petrel shares in the following circumstances:

- at the election of Noteholders (i) upon completion of the RTO at a price equivalent to the 10 day ASX VWAP immediately following the RTO, (ii) upon the completion of a further capital raising by Petrel, at the capital raising price, or otherwise at any time before 31 December 2019, at a price equivalent to the 10 day ASX VWAP immediately preceding the notice of conversion; or
- on the admission of Petrel to AIM, at the price at which the AIM listing takes place; or
- on the maturity date of 31 December 2019, at a price equivalent to the 10 day ASX VWAP to the 31 December 2019.

## CONSOLIDATION

Petrel intends to consolidate its securities on a 20 : 1 basis ("Share Consolidation"), such consolidation to take effect before the RTO. 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 RTO.

## BOARD CHANGES

Messrs. Dennis Donald, Duncan MacNiven, Owain Franks and Mark Routh will be appointed as directors of Petrel (**New Directors**) effective from the completion of the RTO. 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.

## CHANGE OF COMPANY NAME

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





## 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 Notes (assuming a raising of A\$6,000,000), 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 for all Warrego Shares	399,906,249	
<b>Total Petrel Shares post RTO</b>	<b>519,878,124</b>	
Example share price on RTO completion	\$ 0.10	\$ 0.07
Shares issued to settle Warrego \$6m Convertible Note	75,000,000	107,142,857
<b>Total Petrel Shares post RTO if Notes converted</b>	<b>594,878,124</b>	<b>627,020,981</b>

## PRELIMINARY TIMETABLE

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

Event	Date
Dispatch of Notice of General Meeting for Petrel	18 January 2019
Petrel General Meeting to approve share issue for RTO	18 February 2019
Completion of RTO	19 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:

- the Share consolidation;
- the issue of Shares in connection with the RTO;
- the issue of Shares on conversion of the Convertible Notes;
- the appointment of the new Directors; and
- the change of Petrel's name.



## 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) **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;
- (c) **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, including for the issue of Petrel shares as consideration to Warrego shareholders, and the appointment of the Warrego nominees to the Petrel Board;
- (d) **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;
- (e) **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. The issue of a proportion of Petrel shares to certain Warrego shareholders will be delayed to ensure that no shareholder of Petrel acquires more than 20% of the share capital of Petrel, in circumstances which would require the issue of a takeover document, or the approval of shareholders.

**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 in a previous notification.

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