

Petrel Energy Limited

ACN 125 394 667

OFFER DOCUMENT

NON-RENOUNCEABLE PRO RATA ENTITLEMENT OFFER

This is an offer to Eligible Shareholders to participate in a non-renounceable pro rata entitlement offer on the basis of two (2) New Shares for every three (3) Shares held by Eligible Shareholders on the Record Date at an Issue Price of \$0.004 per New Share to raise up to \$4.5 million (before costs) (**Offer**). Eligible Shareholders may also apply for Shortfall Shares under the Shareholder Shortfall Offer.

The Offer opens on 1 March 2018 and closes at 5.00pm (Sydney time) on 3 April 2018 (unless it is lawfully extended). Valid acceptances must be received before the Closing Date.

Applications can only be made by following the instructions on an Application Form that was attached to a paper copy of this Offer Document. The personalised Application Form sent to Eligible Shareholders sets out the Eligible Shareholder's Entitlement to participate in the Offer.

Important Information

This Offer Document is an important document and requires your attention. You should read the contents and instructions in this Offer Document and on the Application Form in their entirety. If you do not understand their contents or are in any doubt about how to deal with your Entitlements or the course you should follow, please consult your stockbroker, accountant, financial planner or other professional adviser without delay and before making an investment decision. The Shares offered under this document should be considered speculative.

CORPORATE DIRECTORY

Petrel Energy Limited

ACN 125 394 667

Directors

Alexander Sundich	(Chairman)
David Casey	(Managing Director and CEO)
Andrew Williams	(Non-Executive Director)
Russell Porter	(Non-Executive Director)

Company Secretary and CFO

Ian Kirkham

Registered Office

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Sydney NSW 2000

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Share Registry

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ASX Code

Ordinary shares: PRL

Contents

Key dates	3
Important note	3
Letter from the Chairman	7
1 Purpose of the Offer	9
2 Details of the Offers	12
3 How to accept the Offer	18
4 Effect of the Offer	21
5 ASX Disclosures	29
6 Company's Share Price on ASX	31
7 Investment Risks	32
8 Additional Information	36
9 Summary of Material Contract	41
Glossary of Terms	43
Directors' Statement and Consent	46

Key Dates

Proposed Timetable

Announcement date	1 March 2018
Notice of Offer sent to all Shareholders and Option holders	2 March 2018
Ex-Date: the date on which Shares commence trading without entitlement to participate in the Offer	5 March 2018
Record Date (7:00pm Sydney time)	6 March 2018
Dispatch of Offer Document and Application Form to Eligible Shareholders	9 March 2018
Closing Date (5:00pm Sydney time)	3 April 2018
New Shares quoted on deferred settlement basis	4 April 2018
Shortfall Shares notification to ASX	6 April 2018
New Shares issued and allotted	10 April 2018
Normal trading in Shares commences	11 April 2018
Dispatch of holding statements	13 April 2018

This timetable is indicative only. The Company reserves the right to vary the dates and times of the Offer without prior notice, subject to compliance with the Listing Rules.

IMPORTANT NOTE

This Offer Document has been prepared by the Company and is dated 1 March 2018. This is an Offer Document for an Offer of continuously quoted securities of the Company as defined by the Corporations Act and has been prepared in accordance with section 708AA of the Corporations Act and ASIC Instrument 2016/84. Section 708AA and ASIC Instrument 2016/84 relate to rights issues that do not require the issue of a prospectus or other disclosure document. Accordingly, this Offer Document is not a prospectus and the level of disclosure in this Offer Document is significantly less than that required in a prospectus. This Offer Document does not contain all of the information that an investor would find in a prospectus or other disclosure document or which may be required or expected by an investor in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares. You should therefore rely on your own knowledge of the Company, refer to disclosures already made by it to ASX and, if you are in any doubt whether or not to take up the Offer, consult your legal, financial or other professional adviser before deciding whether to take up your Entitlement. This Offer Document has not been lodged with ASIC and neither ASIC nor ASX takes any responsibility for the contents of this Offer Document nor the merits of the investment to which this Offer Document relates.

The information contained in this Offer Document is in summary form and is not, and does not purport to be, complete. This Offer Document is not a recommendation or advice in relation to the Company or investment in the New Shares.

You should carefully consider whether New Shares are an appropriate investment for you. There are significant risks associated with an investment in the Company. The New Shares to be issued under this Offer Document should be regarded as a speculative investment. The New Shares carry no guarantee whatsoever with respect to return on capital investment, payment of dividends or the future value of the New Shares. Share prices can fall as well as rise.

This Offer Document and the Application Form are important and you should read them in their entirety (including section 7 - "Investment Risks") prior to making an investment decision. If you do not understand the documents or are in any doubt as to how to deal with your Entitlements, you should consult your professional adviser.

No person is authorised to give any information or make any representation in connection with the Offer which is not expressly contained in this Offer Document. Any information or representation not so contained may not be relied on by any person as having been authorised by the Company in connection with the Offer.

Applications for New Shares by Eligible Shareholders can only be made on an original Application Form sent together with this Offer Document. The Application Form sets out an Eligible Shareholder's Entitlement. By returning an Entitlement and Acceptance Form or otherwise arranging for payment for your New Shares through BPAY®, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

The distribution of this Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Offer Document should seek advice on, and observe the requirements of, these laws. Non-observance by such persons may violate securities laws. Any recipient of this Offer Document residing outside Australia and New Zealand should consult their professional advisers on requisite formalities. This Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand (Overseas Shareholders). The Company will be sending to each Overseas Shareholder details of the Offer and advice that the Company will not offer New Shares to that Shareholder.

Neither this Offer Document, the Application Form nor any other document released or distributed by the Company in connection with this Offer constitutes an offer or an invitation by or on behalf of the Company to subscribe for or purchase any New Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify this Offer Document in Australia or New Zealand or elsewhere or to otherwise permit a public offering of New Shares outside Australia and New Zealand. Shareholders in Australia or New Zealand holding Shares on behalf of overseas Shareholders are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Application Form will be taken by the company to constitute a representation that there has been no breach of the applicable regulations.

This Offer Document and Entitlement and Acceptance Form may not be released or distributed in the United States. This Offer Document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Offer Document have

not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under that act or any applicable US state securities laws.

Electronic Offer Document

The Offer Document is available in electronic form via the Company's website www.petreleenergy.com. The electronic version of this Offer Document on the Company's website will not include an Application Form. Any person accessing the electronic version of the Offer Document must be an Australian or New Zealand resident and must only access the Offer Document from within Australia or New Zealand. The Corporations Act prohibits any person passing on to another person an Application Form unless it is attached to a hard copy of the Offer Document or accompanied by the complete and unaltered version of this Offer Document. Prospective applicants should read this Offer Document in its entirety before completing an Application Form. Any person may obtain a copy of this Offer Document free of charge by contacting the Company.

Risks

The New Shares offered under this Offer Document are considered highly speculative and an investment in the Company is not risk free. A non-exhaustive list of some of the key risk factors to an investment in the New Shares and the Company are described in Section 7 under the heading "Investment Risks", which the Directors strongly recommend all Applicants read in full before deciding whether to apply for New Shares pursuant to this Offer Document.

These key risks include:

- funding risk;
- exploration and development risk;
- operations risk;
- risk of foreign operations;
- environmental risk;
- taxation risk;
- general economic risk;
- share market risk; and
- insurance risk.

In addition to the above specific risks that relate directly to the Company, there are also other general risks, many of which are largely beyond the control of the Company and its Directors, that investors should consider and which may also have a material impact on the financial position and prospects of the Company, and the market price of the New Shares issued pursuant to this Offer Document.

No Forecasts

Some statements in this Offer Document are in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking-statements may be identified by words such as "aim", "intend", "should", "expect", "estimate", "likely", "believe", "anticipate", "planned" and similar expressions.

Such statements are not statements of fact and there can be no assurance or certainty of outcome in relation to the matters to which the statements relate. Forward-looking statements are based on an assessment of present economic and operating conditions and are only predictions based on a number of assumptions regarding future events and actions that are expected to take place, and are subject to inherent risks and uncertainties. Past performance is not necessarily an indication of future performance. Actual events or results may differ materially from the events or results expressed as implied in any forward looking statement. Such statements are not guarantees of future performance or representations of future matters and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of the Company, the Directors and management. The estimates and projections contained in this Offer Document involve significant elements of subjective judgment and analysis, which may or may not be correct when considered with hindsight against the background of actual events. You are cautioned not to place undue reliance on any forward looking statement. You should make your own independent review of the relevant assumptions, calculations and circumstances upon which the forward looking statements, estimates and projections are based. The forward looking statements in this Offer Document reflect views held only as at the date of this Offer Document and the Company assumes no obligation to update such information or publish any further prospective information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

Disclaimers

No representation or warranty, express or implied, is made by any person in relation to the fairness, accuracy, completeness or reliability of all or part of this Offer Document, or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or any part of it. The information in this Offer Document may include information derived from third party sources that has not been independently verified.

Without limiting anything else in this Offer Document, to the maximum extent permitted by law, the Company, its subsidiaries, and their respective partners, directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through the use or reliance on anything contained in or omitted from this Offer Document, including without limitation, any liability arising from fault or negligence on the part of the Company or its subsidiaries, directors, partners, officers, employees and advisers.

The information in this Offer Document remains subject to change without notice. No person is under any obligation to provide any recipient of this Offer Document with any access to any additional information, or to notify any recipient or any other person of any other matter arising or coming to its notice after the date of the presentation.

Privacy

The Company (and the Share Registry on its behalf) collects, holds and uses personal information of security holders in order to service their needs as security holders, provide facilities and services that they request or that are connected with their interests in Shares and carry out appropriate administration.

The information may also be used from time to time and disclosed to persons inspecting the securities register, bidders for the securities in the context of takeovers, regulatory bodies, including

the Australian Taxation Office, authorised securities brokers, print service providers and mail houses.

A security holder may request access, correct and update his or her personal information held by the Company or the Share Registry, by contacting the Company Secretary.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Commonwealth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules of ASX.

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Directors of Petrel Energy Limited, I am pleased to invite you to participate in a non-renounceable pro rata entitlement offer (Rights Issue) on the basis of two (2) New Shares for every three (3) Shares held by Eligible Shareholders on the Record Date at an Issue Price of \$0.004 per New Share to raise up to \$4.5 million.

This capital raising is essentially to fund a shortfall created by our current partner electing not to fund their share of a past US\$4m SEI capital requirement and any costs going forward. I would like to thank shareholders for their previous support of Petrel that has enabled us to achieve a number of significant milestones in our quest to redefine the potential energy landscape for Uruguay.

As foreshadowed in the capital raising late last year, we not only managed to successfully fish a parted drill string and drill ahead to our planned total depth (TD), but in the process we were fortunate enough to have identified Uruguay's "first ever" oil discovery, with a small amount of oil recovered to surface. While this was not a commercial discovery with the well appearing to be off top of structure, it was significant, in that it confirmed an active hydrocarbon system in a country previously considered to have no hydrocarbon potential.

The ultimate success of our first well, following a series of unfortunate operational startup challenges, was in large part due to the managerial and procedural changes made with the introduction of New Tech Global engineering expertise working closely alongside our drilling contractor New Force Energy. It was this combined experience that also enabled us to successfully complete and test our first well despite having no in country or even regional expertise to draw from.

The strong support of all our contractors throughout this process cannot be underestimated, in particular that of our drilling contractor, who has agreed to settle \$1.66m of outstanding drilling invoices in return for a 2% overriding royalty interest in the project.

The success of our collaboration with and between our contractors was further evidenced by the progress drilling the very difficult and hard basalt in the Cerro de Chaga well essentially ahead of schedule until unfortunately intersecting a fault near the base of the basalt. Despite repeated efforts it was not possible to drill through this fault and with repairs to equipment needed the zone was cemented to stabilise the fault. Hopefully this may enable the well to be drilled ahead at some time in the future. While this was an unfortunate and frustrating development we are expanding our knowledge base with every metre drilled in this frontier basin. That said the lessons learned and experience gained should stand us in good stead to successfully move the project forward. Unfortunately, the combined effect of these issues has necessitated a \$15.7m writedown of Petrel's Uruguay exploration expenditure to approximately \$20m in the 31 December 2017 financial statements.

Notwithstanding the completion of these technical milestones, the funding shortfall of our current partner and cost overruns associated with the intersection of this fault and testing the last well has meant Petrel now needs to identify a new partner going forward. Petrel also needs to raise sufficient funds to allow the completion of the partnering process and hopefully the continuation of the current well or drilling of the next well to continue to meet our work commitment obligations. This is essentially the purpose of the Offer at hand.

While initial indications are encouraging, the partner process is still at an early stage and will very likely take longer than the current capital raising timeframe. That said, with a rig and equipment on the ground and ready to drill ahead with a team who have overcome and learnt from “first mover” hurdles, we feel it still represents an attractive investment proposition for a new entrant.

It has been a difficult and frustrating 12 months for Petrel. Oil and gas exploration can be an exciting business but comes with significant risks and challenges and we have certainly encountered a great deal of challenges. Whilst our best effort will be put towards improving the outcomes going forward, there can be no assurances that the current drilling programme will produce positive results or that our partnering process for the Uruguayan assets will generate a commercially attractive transaction for Petrel. However, for the reasons outlined above and explained in detail in this Prospectus, we believe it is appropriate for the Company to persist with this drilling campaign.

I sincerely hope that you, like the Directors of the Company, see the merits of this decision and continue to support Petrel.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Sundich'. The signature is written in a cursive, flowing style with a large initial 'A'.

Alexander Sundich
Chairman
1 March 2018

1. PURPOSE OF THE OFFER

The Company proposes to raise up to approximately \$4.5 million by the issue of up to 1,123,956,473 New Shares pursuant to this Offer Document.¹

The purpose of the Offer is to cover the Company's overhead costs, and fund Schuepbach Energy International LLC (**SEI**) (owned 62.7% by the Company and 37.3% by Schuepbach International Holdings LLC (**SIH**)) to pay existing creditors, and complete the next well in its four well drilling programme (**Drilling Programme**). Completion of the Drilling Programme would ensure that SEI is able obtain concession extensions to enable it to meet its 2017-18 Uruguay concession commitments.

1.1 Background

In September 2017 the Company raised funds to drill a four-well drilling programme designed to unlock the significant geological potential within the Company's 3.5m acre permits 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, and ultimately requiring this zone to be cemented and the hole suspended. To meet well commitments, 3 days of drilling will need to be undertaken to drill through the faulted area. If successful, Cerro de Chaga-1 will be drilled to its target depth of 1,600m. If unsuccessful the rig will move to the third Canada de Fea -1 (Shallow AVO) well. The rig remains on site without crew, and standby charges are being incurred.

During the drilling of the second well, SIH failed to meet its share of a US\$4m SEI funding requirement, allowing the Company to increase its interests in both its Uruguay and Spain projects from 51% to 62.7% (relative increase of 22.9%) for a US\$3m outlay.

1.2 Steps forward

The success of the Cerro Padilla-1 well provides strong evidence to support continuation of the current programme in Uruguay. Currently our existing private equity partner is not prepared to fund its 37.3% share of programme expenditure. The medium-term future of the project will rest on the partnering process already underway.

The first stage of this partnering process is that SEU has agreed with project drillers New Force Energy to settle \$1.66m of outstanding drilling invoices in return for a 2% overriding royalty interest (**ORRI**) in the project. SEU has the option to buy back the ORRI for a 50% premium (ie \$2.49m)

¹ Assuming that no Existing Options are exercised prior to the Record Date.

within 12 months. If the buyback option is not exercised New Force Energy has the option to exchange the ORRI for a 10% working interest in the Uruguay project.

The second stage of the partnering process is to find a new long-term funding partner for the Uruguay project. The Company has appointed advisers to assist in finding a new long-term funding partner to replace the current non-funding partners.

Petrel has been advised that this process could take months and the Company has a rig in the field on standby. Consequently, the Company is seeking funding to recommence the Cerro de Chaga-1 well for 3 days and if the fault is cleared successfully, the Cerro de Chaga-1 well will be drilled to a total depth of approximately 1,600m. If the fault cannot be cleared, the well will be plugged and abandoned and the rig will move to Canada de Fea -1 (Shallow AVO), which will be drilled to a total depth of approximately 1,600m.

The forecast 100% cost of this drilling strategy (ie assuming that SIH will not fund its share of the drilling costs), which takes into account lessons learnt from the first 2 wells, is \$2.9m.

1.3 Use of funds

The proposed use of funds raised from the Offer under several scenarios, is outlined below.

- **Full subscriptions received of \$4.5m** – the Company will 100% fund further drilling of Cerro de Chaga-1 to target depth, or if the fault cannot be cleared, drilling of Canada de Fea -1 well (\$2.9m), pay creditors (\$1.1m) and 3 months overhead (\$0.5m).
- **Half subscriptions received of \$2.25m** – the Company will pay creditors (\$1.1m), 3 months overhead (\$0.5m) and pay rig standby costs of (\$0.65m) whilst a partner is found.
- **Less than half subscriptions received** – the Company will pay creditors to the extent possible and continue the partner process. If the partner process fails the Company will commence the sale of its project assets to cover unpaid liabilities.
- **Partner is found** – depending on the level of contribution from its partner, the Company would propose to first pay its creditors (\$1.1m), then meet its share of the drilling of Cerro de Chaga-1 or drilling of Canada de Fea -1 well (which will depend on the proportion of the project taken up by its new partner) and ongoing overhead costs, and then buy back the ORRI. If funds are received from an incoming partner for drilling or back costs that exceed short term cash requirements, the Company will undertake a share buy-back.

In each scenario above it is assumed that SIH does not fund its share of project expenditure and that the Company will increase its share in SEI by virtue of additional units being issued to the Company. With the partnering process underway and proceeds or sale percentages unknown at this stage, and with Offer subscriptions variable, it is not possible to determine the Company's ultimate interest in the project at the end of this process.

With two wells drilled, the Directors believe that the project risks are now much better understood. However, as with any exploration drilling programme there is no guarantee that drilling will be trouble free. Delays and additional costs can be incurred due to inclement weather, access issues and unforeseen difficult drilling conditions, but can also be incurred as a consequence of positive drilling outcomes requiring additional testing and appraisal. Please refer to the risks in Section 7, particularly relating to funding risks.

2. DETAILS OF THE OFFER

The details of the Offer are as follows.

2.1 Offer Ratio and Price

For every three (3) Shares held on the Record Date, an Eligible Shareholder is offered two (2) New Shares at an issue price of \$0.004 per New Share. The Issue Price of \$0.004 per New Share is payable on application.

2.2 Record Date

The Record Date for the Offer is 7:00pm (Sydney time) on 6 March 2018.

2.3 Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7:00pm (Sydney time) on 6 March 2018 (the Record Date);
- have a registered address in Australia or New Zealand; and
- are not located in the United States and are not acting for the account or benefit of a person in the United States.

If you are a Shareholder who does not satisfy each of the criteria listed above, you are an Ineligible Shareholder. Refer to Section 2.5 for more information regarding the Offer and Ineligible Shareholders.

By returning a completed Application Form or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

2.4 Entitlements and Acceptance

Details of how to make an Application under the Offer are set in sections 3. The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date and set out on the Application Form accompanying the paper copy of this Offer Document mailed to Eligible Shareholders. The Directors reserve the right to reject any Application that they believe is submitted by or on behalf of a person who is not an Eligible Shareholder.

2.5 Ineligible Shareholders

The Offer of New Shares under this Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document. The Company has decided not to make the Offer to Shareholders who do not have a registered address in Australia or New Zealand (**Ineligible Shareholder**), having regard to each of the following:

- the number of Ineligible Shareholders in each jurisdiction where the Offer would be made;

- the number and value of New Shares that the Ineligible Shareholders would be offered; and
- the cost of complying with the legal requirements and requirements of a regulatory authority in each jurisdiction of the Ineligible Shareholders.

Accordingly, the Offer is not being extended, and New Shares will not be issued, to Ineligible Shareholders. The Company will be sending to each Ineligible Shareholder details of the Offer and advise that the Company will not offer New Shares to that Shareholder.

The offer of New Shares under the Investor Shortfall Offer is only being extended to persons located in Australia and other persons to whom the Board is satisfied, in its sole discretion, that it would not be unlawful (with or without such conditions as the Board sees fit) based on the local laws of the country in which an Applicant may reside to offer New Shares. Specifically, the offer of New Shares under the Investor Shortfall Offer is not being extended to persons located in New Zealand.

This Offer Document is sent to shareholders with registered addresses outside Australia and New Zealand for information purposes only.

2.6 Non-renounceable offer

The Entitlement to New Shares is non-renounceable. Accordingly, there will be no trading of Entitlements on the ASX and you may not dispose of your Entitlements to subscribe for New Shares under the Offer to any other party.

Any portion of an Eligible Shareholder's Entitlements that are not exercised will lapse and the New Shares the subject of those Entitlements will form part of the Shortfall Shares and will be either taken up by other Eligible Shareholders under the Shareholder Shortfall Offer or by other investors under the Investor Shortfall Offer.

2.7 Existing Option holder participation

Holders of Existing Options are not inherently entitled to participate in the Offer. However, holders of Existing Options that are exercisable, may participate in the Offer by exercising their relevant exercisable Existing Options and becoming registered as a holder of Shares by the Record Date.

Holders of Existing Options will be notified by the Company of the need to exercise their respective Existing Options before the Record Date, if they wish to participate in the Offer.

2.8 Shareholder Shortfall Offer

The Company is offering to Eligible Shareholders the opportunity to subscribe for Shortfall Shares (which will be in addition to their Entitlement) under the Shareholder Shortfall Offer. Under the Shareholder Shortfall Offer, Eligible Shareholders will be entitled to apply for Shortfall Shares in excess of their Entitlement, at the Issue Price. The total number of Shortfall Shares available will be determined by the number of Entitlements that have not been taken up under the Offer. Eligible Shareholders wishing to subscribe for Shortfall Shares must apply for them at the same time as they apply for New Shares under their Entitlement by completing the relevant section of their Application Form. There is no limit on the number of Shortfall Shares that Eligible Shareholders may apply for under the Shareholder Shortfall Offer. However, applications under the Shareholder Shortfall Offer will only be satisfied to the extent that there are Shortfall Shares available.

Subject to the Directors retaining discretion to refuse to accept applications (in whole or in part) for Shortfall Shares, where the effect of issuing Shortfall Shares to the applicant will result in the applicant's, or another person's, Voting Power in the Company increasing from 20% or below to more than 20%, applicants under the Shareholder Shortfall Offer will be allocated the lesser of:

- the number of Shortfall Shares applied for by the Applicant; and
- if the number of Shortfall Shares available for subscription is less than the aggregate number of Shortfall Shares applied for by all unsatisfied applicants, the number of Shortfall Shares applied for, scaled back on a pro rata basis according to all unsatisfied applicants' respective shareholdings in the Company as at the Record Date for the Offer.

If, following the allocation process referred to immediately above, there are any remaining Shortfall Shares, that allocation process will be repeated continuously until all applications for Shortfall Shares have been satisfied in full or there are no further Shortfall Shares.

There is no guarantee that an Eligible Shareholder will receive all of the Shortfall Shares they have applied for under the Shareholder Shortfall Offer. If an Eligible Shareholder receives less Shortfall Shares than they have applied for, the Application Monies for those Shortfall Shares which have not been allocated will be returned to the relevant Eligible Shareholders without interest.

2.9 Investor Shortfall Offer

The Directors reserve the right to offer and place any Shortfall Shares that have not been subscribed for pursuant to the Offer (other than the Investor Shortfall Offer), at their discretion at any time within three months of the Closing Date. In no circumstances will such Shortfall Shares be issued at a price less than the Issue Price (**Investor Shortfall Offer**).

Any investors who are not currently Eligible Shareholders wishing to participate in the Investor Shortfall Offer must submit an Application Form accompanying a paper copy of this Offer Document as given to them by the Company and follow the instructions given to them by the Company. If you wish to participate in the Investor Shortfall Offer, contact the Company at your earliest opportunity. The Directors retain their discretion to refuse to accept applications under the Investor Shortfall Offer (in whole or in part).

The Investor Shortfall Offer is a separate offer made under this Offer Document and will remain open for up to three months from the Closing Date. The New Shares issued in accordance with the Investor Shortfall Offer will rank equally with other New Shares issued under this Offer Document.

The Directors reserve the right to pay a commission of up to 6% (exclusive of GST) of any amounts subscribed under the Investor Shortfall Offer through any licensed securities dealers or Australian financial services licensee in respect of any Applications lodged and accepted by the Company.

2.10 Fractional entitlements

Fractional Entitlements to New Shares will be rounded down to the nearest whole number.

2.11 Rights on issue of New Shares

The New Shares offered pursuant to this Offer Document will have the same rights as the Company's fully paid ordinary shares, and will rank equally with, those shares on issue as at the

date of this Offer Document. The rights attaching to Shares are set out in the Company's constitution, a copy of which can be obtained from the Company on request.

2.12 No minimum subscription

There is no minimum subscription for the Offer.

2.13 Allotment of New Shares

It is expected that New Shares (other than any issued under the Investor Shortfall Offer), will be allotted and issued no later than 10 April 2018 with dispatch of holding statements expected to occur on 13 April 2018. The allotment of New Shares under the Investor Shortfall Offer will be undertaken progressively.

A holding statement for the purposes of CHESS for the New Shares will be mailed, at the risk of the Applicant, by ordinary post to the address appearing on the completed Application Form.

Where the number of New Shares allotted is less than the number of additional New Shares applied for, the surplus Application Monies will be returned by cheque within 14 days after the Closing Date (other than in the case of the Investor Shortfall Offer) or 14 days of receipt of the Application (in the case of the Investor Shortfall Offer). Interest will not be paid on monies refunded.

If the Application Form is not completed properly, or if the accompanying payment is for the wrong amount, it may still be treated as a valid Application. The Directors' decision whether to treat the Application as valid, and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more New Shares than is indicated by the amount of the cheque for Application Monies.

2.14 Expenses of the Offer

The estimated expenses which are payable by the Company for legal fees, registry, printing fees and other costs incurred in preparing and distributing this Offer Document in respect of the Offer and the Shortfall Offer are estimated to be approximately \$35,740.

2.15 Quotation of New Shares

The Company will make application to ASX for quotation of the New Shares on the date of this Offer Document.

If ASX does not grant quotation of the New Shares offered pursuant to this Offer Document before the expiration of three months after the date of this Offer Document (or such period as varied by ASIC), the Company will not issue any New Shares and will repay all Application Monies within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant quotation of the New Shares offered pursuant to this Offer Document is not to be taken in any way as an indication of the merits of the Company or the New Shares.

2.16 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

2.17 Enquiries

Enquiries regarding this Offer Document should be directed to the Company Secretary or Directors on 02 9254 9000 or via email to Ian Kirkham at ian@petreenergy.com.

3. HOW TO ACCEPT THE OFFER

Each of the Offers the subject of this Offer Document can be accepted as follows:

	Method of Acceptance	
	Application Form + Cheque	BPAY®
Offer	✓	✓
Shareholder Shortfall Offer	✓	✓
Investor Shortfall Offer	✓	

By completing, and the Share Registry or the Company receiving, your personalised Application Form with the requisite Application Monies or making a payment by BPAY®, you:

- agree to be bound by the terms of this Offer Document and the provisions of the Company's Constitution;
- authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- declare that all details and statements made in the Application Form are complete and accurate;
- acknowledge that the Offer Document is not investment advice and does not constitute a recommendation that you subscribe for New Shares;
- declare that you have full legal capacity to subscribe for New Shares;
- acknowledge that once the Company receives the Application Form or your payment by BPAY® (as applicable), you may not withdraw it except as allowed by law;
- agree to apply for, and be issued with up to, the number of New Shares that you apply for at the Issue Price per New Share;
- authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you;
- represent and warrant that you are an Eligible Shareholder (other than in the case of the Investor Shortfall Offer); and
- have read and understood this Offer Document and the Application Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this Offer Document and the Application Form.

3.1 Payment by BPAY®

For payment by BPAY® please follow the instructions on the Application Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions and are not making an Application under the Investor Shortfall Offer.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the Application Form but are taken to make the declarations on that Application Form; and
- you are deemed to have applied for such whole number of New Shares which is covered in full by your Application Monies, whether that number is less than, equal to, or more than your Entitlement (in the latter case, you will be deemed to have applied for Shortfall Shares under the Shareholder Shortfall Offer).

When paying by BPAY® please make sure you use the specific Biller Code and your unique customer reference number (CRN) which can be found on the front of your personalised Application Form. If you pay by BPAY®, and the amount paid is more than the total Application Monies for your Entitlement, such excess amount will be treated as an application for such number of Shortfall Shares as may be subscribed for at the Issue Price (rounded down to the nearest whole number).

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the Closing Date. No interest will be paid on any Application Monies received or refunded.

3.2 Payment by cheque

For payment by cheque, you should complete your Application Form in accordance with the instructions on the Application Form and return it accompanied by a cheque in Australian currency for the amount of the Application Monies payable to "**Petrel Energy Limited – Rights Issue A/C**" and crossed "Not Negotiable".

Your cheque must be:

- for an amount equal to the Issue Price multiplied by the number of New Shares that you are applying for (including any Shortfall Shares applied for); and
- in Australian currency drawn on an Australian branch of a financial institution.

If the amount of your cheque for Application Monies (or the amount of which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Application Form, you will be taken to have applied for such number of New Shares (rounded down to the nearest whole number) as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Application Form). Alternatively, your Application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the Closing Date. No interest will be paid on any Application Monies received or refunded.

Your completed Application Form and cheque must reach the Company's Share Registry at the address set out on the Application Form and be cleared by no later than 5:00pm (Sydney time) on the Closing Date. It is your responsibility to ensure that your cheque clears by that time. You should be aware that financial institutions may have different lead times for the clearing of cheques and you should therefore take this into consideration when making payment.

3.3 Application Form is binding

You will not have any right to withdraw your Application for New Shares or to be repaid any amount once your Application has been accepted. Even if an Application has not been completed or submitted correctly it may still be treated as a valid Application for New Shares.

Applications must be lodged on or before 5:00pm (Sydney time) on the Closing Date. The Directors generally reserve the right to vary the Closing Date for Applications without prior notice, subject to compliance with the Listing Rules. Applications for New Shares under the Investor Shortfall Offer may be lodged after the Closing Date, however, they should be lodged as soon as possible so that the Company is able to allot the New Shares within 3 months of the Closing Date.

The Directors recommend that completed Application Forms be posted promptly to minimise any risk of being delayed in the mail.

All Application Forms must be lodged at the following address of the Share Registry:

By Hand:
Petrel Energy Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

By Post:
Petrel Energy Limited
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

3.4 If you do nothing with your Entitlements

If you choose to not do anything with your Entitlements, you will not be allocated any New Shares and your Entitlements will lapse and any associated New Shares may be taken up by Eligible Shareholders subscribing for Shortfall Shares under the Shareholder Shortfall Offer, or new investors under the Investor Shortfall Offer. Eligible Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up. Further, Eligible Shareholders who do not take up some or all of the Entitlements are likely to have their shareholding in the Company diluted.

4. EFFECT OF THE OFFER

4.1 Capital Structure

The following tables set out the expected securities of the Company on issue, based on:

- the capital structure of the Company as at the date of this Offer Document;
- the completion of the Offer, assuming it is fully subscribed; and
- the issue of Shares to Directors and senior managers in lieu of accrued liabilities.

Shares	Number
Shares on issue at the date of this Offer Document	1,685,934,710
New Shares to be issued under this Offer Document (subject to rounding)	1,123,956,473
Shares to be issued in lieu of accrued liabilities	52,510,750
Total Shares on issue (notional expanded capital, subject to rounding)	2,862,401,933

Notes:

1. Assumes that no Existing Options are exercised on or before the Record Date, as the exercise price per Existing Options is substantially higher than the Issue Price of New Shares.
2. A proportion of the Shares to be issued in lieu of accrued liabilities will be subject to Shareholder approval and may not ultimately be issued. Refer to section 8.2.

Listed Options	Exercise Price	Expiry Date	Number
Existing Options at the date of this Offer Document	4c	31 October 2018	519,961,935

4.2 Effect of Offer on Voting Power in the Company

As at 28 February 2018, no persons are substantial Shareholders of the Company with a Voting Power of 5% or more in the Company. If all Shareholders take up their Entitlements under the Offer, then on Completion of the Offer, the Voting Power of Shareholders will remain the same.

The two largest shareholders of the Company are Discovery Investments Pty Ltd and Mr David Casey. Mr David Casey has determined his level of participation in the Offer will not exceed 5,000,000 shares. The following table sets out the possible effects of the Offer on the Voting Power of Discovery Investments Pty Ltd and Mr David Casey in the Company. It provides for:

- the issue of Shares to Directors and senior managers in lieu of accrued liabilities, subject to the approval of Shareholders (refer to Section 8.2);
- none of the Existing Options being exercised whether before or after the Record Date (as their exercise price is significantly higher than the Issue Price);
- Mr David Casey taking up 5,000,000 New Shares under the Offer and 29,085,750 Shares in lieu of accrued liabilities (subject to the approval of Shareholders, refer to Section 8.2), and Discovery Investments Pty Ltd taking up its full Entitlements; and
- completion of the Offer under 3 scenarios regarding the Shortfall Amount.

Voting Power	No Shortfall Amount		50% Shortfall Amount		100% Shortfall Amount	
	Number of Shares	Shares %	Number of Shares	Shares %	Number of Shares	Shares %
Discovery Investments Pty Ltd	134,007,723	4.75%	134,007,723	5.80%	134,007,723	7.46%
David Casey	104,629,547	3.71%	104,629,547	4.53%	104,629,547	5.82%
Remaining Shareholders	2,581,735,464	91.54%	2,070,073,372	89.66%	1,558,411,279	86.72%
Total	2,820,372,734	100.00%	2,308,710,642	100.00%	1,797,048,549	100.00%

Note: the number of actual New Shares issued is subject to rounding for fractional entitlements

As at the date of this Offer Document, no Eligible Shareholder will, by reason of taking up their Entitlement under the Offer, increase their Voting Power in the Company to more than 20%.

4.3 Financial position

The Company's cash position at 31 December 2017 was \$807,489.

If the Offer is fully subscribed, on close of the Offer, the Company's pro forma cash position will increase to \$5,267,575 (based on the cash balance as at 31 December 2017 and after deducting the expected costs of the Offer of approximately \$35,740).

If the Offer is 50% subscribed the Company's pro forma cash position will increase to \$ 3,019,662 (based on the cash balance as at 31 December 2017 and after deducting the expected costs of the Offer of approximately \$35,740).

The tables on the following pages show:

- the pro forma balance sheet based on the unaudited figures as at 31 December 2017;
- the effect of exchanging \$1.66m of drilling invoices (\$1,424,119 at 31 December 2017) in return for an overriding royalty interest in the Uruguay project; and
- the adjustment to be made as a result of the Offer, first if the Offer is fully subscribed, and second if the Offer is 50% subscribed.

Offer fully subscribed

	Balance Sheet 31 Dec 2017 \$	ORRI / Creditor adjustment \$	Net Offer Proceeds \$	Balance Sheet Pro Forma \$
ASSETS				
Current assets				
Cash and cash equivalents	807,489	-	4,460,086	5,267,575
Other current assets	224,391	-	-	224,391
Restricted cash	63,409	-	-	63,409
Total current assets	1,095,289	-	4,460,086	5,555,375
Non-current assets				
Exploration and evaluation expenditure	19,986,945	(1,424,119)	-	18,562,826
Plant and equipment	28,213	-	-	28,213
Total non-current assets	20,015,158	(1,424,119)	-	18,591,039
Total assets	21,110,447	(1,424,119)	4,460,086	24,146,414
LIABILITIES				
Current liabilities				
Trade and other payables	2,897,097	(1,424,119)	-	1,472,978
Employee benefits	161,582	-	-	161,582
Borrowings	424,620	-	-	424,620
Total current liabilities	3,483,299	(1,424,119)	-	2,059,180
Total liabilities	3,483,299	(1,424,119)	-	2,059,180
NET ASSETS	17,627,148	-	4,460,086	22,087,234
EQUITY				
Contributed equity	56,661,382	-	4,460,086	61,121,468
Foreign currency translation reserve	777,642	-	-	777,642
Options reserve	518,131	-	-	518,131
Accumulated losses	(46,779,160)	-	-	(46,779,160)
Equity attributable to owners of the Parent	11,177,995	-	4,460,086	15,638,081
Non-controlling interests	6,449,153	-	-	6,449,153
Total equity	17,627,148	-	4,460,086	22,087,234

Offer 50% subscribed

	Balance Sheet 31 Dec 2017 \$	ORRI / Creditor adjustment \$	Net Offer Proceeds \$	Balance Sheet Pro Forma \$
ASSETS				
Current assets				
Cash and cash equivalents	807,489	-	2,212,173	3,019,662
Other current assets	224,391	-	-	224,391
Restricted cash	63,409	-	-	63,409
Total current assets	1,095,289	-	2,212,173	3,307,462
Non-current assets				
Exploration and evaluation expenditure	19,986,945	(1,424,119)	-	18,562,826
Plant and equipment	28,213	-	-	28,213
Total non-current assets	20,015,158	(1,424,119)	-	18,591,039
Total assets	21,110,447	(1,424,119)	2,212,173	21,898,501
LIABILITIES				
Current liabilities				
Trade and other payables	2,897,097	(1,424,119)	-	1,472,978
Employee benefits	161,582	-	-	161,582
Borrowings	424,620	-	-	424,620
Total current liabilities	3,483,299	(1,424,119)	-	2,059,180
Total liabilities	3,483,299	(1,424,119)	-	2,059,180
NET ASSETS	17,627,148	-	2,212,173	19,839,321
EQUITY				
Contributed equity	56,661,382	-	2,212,173	58,873,555
Foreign currency translation reserve	777,642	-	-	777,642
Options reserve	518,131	-	-	518,131
Accumulated losses	(46,779,160)	-	-	(46,779,160)
Equity attributable to owners of the Parent	11,177,995	-	2,212,173	13,390,168
Non-controlling interests	6,449,153	-	-	6,449,153
Total equity	17,627,148	-	2,212,173	19,839,321

These pro-forma Statement of Financial Position have been prepared on the basis of the Company's unaudited financial statements as at 31 December 2017 and on the basis of the following transactions and adjustments having occurred on that date:

- Trade and other payables have been adjusted for the 31 December 2017 drilling payables of \$1,424,119 which forms part of the \$1,660,000 ORRI transaction signed on 28 February 2018;
- The Company has recorded a non-cash impairment charge of \$15,736,792 at 31 December 2017 after a review of the carrying value of its Uruguay project. The impairment was triggered in part by the difference between project carrying value, and the Company's market capitalisation; as well as costs associated with delays in drilling activities and the Company's increased stake in the SEI from 51% to 62.7%. The sale of up to 49.9% of the Tesorillo project in southern Spain gave rise to an impairment of \$1,349,577 being parent company exploration expenditure which was not able to be included in the Spanish subsidiary under the sale agreement;
- where the Offer is fully subscribed, the issue of up to 1,123,956,473 New Shares, pursuant to this Offer Document, issued at the Issue Price of \$0.004 per New Share, will raise net proceeds of \$ 4,460,086. The estimated costs of the Offer are \$35,740; and
- where the Offer is 50% subscribed up to the Underwritten Amount, the issue of up to 561,978,236 New Shares, pursuant to this Offer Document, issued at an Issue Price of \$0.004 per New Share, raising net proceeds of \$ 2,212,173. The estimated costs of the Offer are \$35,740.

This information is presented on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2017 and the close of the Offer.

6. COMPANY'S SHARE PRICE ON ASX

The last sale price of Shares on ASX on 28 February 2018 (being the last trading day before the date of this Offer Document of 1 March 2018) was \$0.006.

The highest and lowest market sale prices of Shares on ASX during the three months immediately preceding 28 February 2018 were:

Highest - \$0.022 on 1 December 2017.

Lowest - \$0.005 on 13 February 2018.

7. INVESTMENT RISKS

Prospective investors should be aware that the value of the Company's securities on ASX may be influenced by many unpredictable factors and may rise and fall depending on factors beyond the control of the Company. Shareholders taking up their Entitlements under the Offer should be aware that the New Shares carry no guarantee with respect to the return of capital or price at which those New Shares will trade.

The Company is at an early exploration stage. Any profitability in the future from the Company's business will be dependent upon successful exploration, development, production and marketing of petroleum from the Company's petroleum exploration licences and investments.

The New Shares being offered under this Offer Document are considered speculative due to the present stage of development of the Company and the risks inherent in the petroleum exploration business in Australia and overseas. While some of the risks can be minimised by the use of safeguards and appropriate systems, some are outside the control of the Company.

The principal risk factors applicable to the business of the Company include but are not limited to the following.

Funding risk

The purpose of the Offer is to cover the Company's overhead costs, and fund Schuepbach Energy International LLC (SEI) to pay existing creditors and complete the next well in its four well drilling programme.

The proposed use of funds raised from the Offer under several scenarios is outlined in Section 1.3 above, including full subscriptions, half subscriptions, less than half subscriptions and where a partner is found.

In each scenario outlined in Section 1.3, it is assumed that SIH does not fund its share of project expenditure and that the Company will increase its share in SEI by virtue of additional units being issued to the Company. With the partnering process underway and proceeds or sale percentages unknown at this stage, and with Offer subscriptions variable, it is not possible to determine the Company's ultimate interest in the project at the end of this process.

With two wells drilled, the Directors believe that the project risks are now much better understood. However, as with any exploration drilling programme there is no guarantee that drilling will be trouble free. Delays and additional costs can be incurred due to inclement weather, access issues and unforeseen difficult drilling conditions, but can also be incurred as a consequence of positive drilling outcomes requiring additional testing and appraisal. Testing and appraisal (if required) would require additional expenditure of \$400,000 to \$600,000 in either of the upcoming wells. There is no certainty that the Company will be able to raise additional capital, or that it will be able to do so on favourable terms.

If the Company is able to raise additional capital, it may be required to do so at a significant discount to the Issue Price. If this occurs, this may significantly dilute existing Shareholders.

If the Company cannot raise additional capital through the issue of additional Shares, as outlined in Section 1.3, it may be forced to dispose of some or all of its interest in one or more of its assets. If the Company is required to dispose of assets in those circumstances to a third party, it is likely that such disposal will not be on favourable terms, including price.

If the Company is not able to raise additional funding in a timely manner through either the issue of additional Shares, or the disposal of assets, it may be required to relinquish its interests in one or both of the Salto & Piedra Sola, which could have a significant detrimental effect on the viability of the Company.

Exploration and development risk

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Operations risk

The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, government approvals, unanticipated drilling or reservoir problems which may affect field production performance, transport delays, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Whilst these risks remain in place, especially when drilling the first wells in Uruguay in almost 40 years, the risks to the Company's current operations are somewhat less today. This is due to the Company having completed setup and approvals processes before commencing 2 wells in 2017. Drilling risk is now much better understood and capable of being managed, with appropriate techniques now being utilised, and new equipment in place.

Risk of foreign operations

The Company operates and invests in Uruguay where there may be a number of associated risks over which it will have no or limited control. These may include economic, social, or political instability or change, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, government participation, royalties, taxation, working conditions, foreign nationals work permits, rates of exchange, exchange control, exploration licensing, minerals export licensing, export duties, government control over product pricing, and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections.

The Company's operations may also be adversely affected by laws and policies of Australia affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its operations the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Australia or enforcing Australian judgements in foreign jurisdictions.

Environmental impact constraints

The Company's operations are subject to the environmental risks inherent in the oil and gas industry. The Company's exploration and development programmes are, in general, subject to approval by government authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking the desired activities.

Exploration and development of any of the Company's properties is also dependent on meeting planning and environmental laws and guidelines. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities that could subject the Company to extensive liability. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of production operations.

Taxation

The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to holders of New Shares. It is solely the responsibility of individual Shareholders to inform themselves of their taxation position resulting from the investment in New Shares under this Offer Document.

Taxation obligations can vary depending on the circumstances of each individual Shareholder, the particular circumstances relating to his or her holdings of securities, and the taxation laws applicable to Shareholders as residents of different jurisdictions.

The acquisition and disposal of New Shares may have taxation consequences which will differ depending on the specific financial and personal circumstances of each Shareholder.

Shareholders should consult their own professional advisers on the taxation implications of investing in the New Shares as it relates to them.

Changes in taxation law and its application in Australia and overseas may adversely affect the operations and business of the Company.

General economic climate

The Company's future revenues and operating costs can be affected by such factors as supply and demand for goods and services, industrial disruption, interest rates, currency fluctuation, inflation and global economic conditions or events. Accordingly, the future profitability of the Company and Share prices may be affected by these factors. These factors are beyond the control of the Company.

Share market

The market price of Shares may be subject to general movements in local and international stock exchanges, economic conditions, currency fluctuations and interest rates. The New Shares may trade at a price above or below the issue price depending on a range of factors including the performance of the market generally; the performance of the oil and gas sector of the market; national and international economic performance; market perceptions of the Company; the degree of success in the Company's exploration endeavours and results of development of petroleum reserves (if and when that stage is reached) by the Company; and the financial performance of the Company.

Insurance

The Company maintains insurance within ranges of coverage that it believes to be consistent with industry practice and having regard to the nature of activities being conducted. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

8. ADDITIONAL INFORMATION

8.1 Litigation

The Company is not involved in any litigation.

8.2 Directors' interest

The aggregate number of securities of the Company held directly, indirectly or beneficially by the current Directors or their related entities at the date of this Offer Document are:

Directors	Number of Shares	Number of Existing Options
Alexander Sundich	54,506,060	14,506,060
David Casey	70,543,797	10,576,636
Russell Porter	4,339,394	1,172,727
Andrew Williams	6,209,764	2,431,986
Total	135,599,015	28,687,409

Remuneration of the Directors is disclosed in the annual report of the Company.

Directors and executives have not received fees for the months of January to March 2018 and propose to take Shares in lieu of outstanding fees. Subject to Shareholder approval (where required), it is proposed that these accrued liabilities be settled with the issue of Shares at the Issue Price. Such Shares will be issued after close of the Offer, and where applicable, after Shareholder approval has been obtained.

The Shares to be issued to Directors and executives in lieu of accrued fees are set out in the table below:

Officer	Outstanding Rem. for the period Jan-Mar 18	Issue price	Shares to be issued
David Casey (incl. super)	\$116,343	\$0.004	29,085,750
Alex Sundich	\$12,900	\$0.004	3,225,000
Andrew Williams	\$12,900	\$0.004	3,225,000
Russell Porter	\$12,900	\$0.004	3,225,000
Ian Kirkham	\$55,000	\$0.004	13,750,000
Total	\$210,043		52,510,750

The table below sets out the number of Shares and Existing Options that will be held by Directors (whether directly, indirectly or beneficially) after the completion of the Offer, on the basis that:

- the issue of Shares in lieu of remuneration as contemplated above is approved by Shareholders;
- David Casey takes up 5,000,000 New Shares under the Offer (as he has indicated to the Company); and
- no other Directors take up New Shares under the Offer (as they have not determined the extent of their participation in the Offer as at the date of this Offer Document).

Directors	Number of Shares	Number of Existing Options
Alexander Sundich	57,731,060	14,506,060
David Casey	104,629,547	10,576,636
Russell Porter	7,564,394	1,172,727
Andrew Williams	9,434,764	2,431,986
Total	179,359,765	28,687,409

8.3 Governing Law

This Offer Document, the Offer, and the contracts formed on acceptance of the Application Forms are governed by the laws of the State of New South Wales, Australia. Each person that applies for New Shares or Shortfall Shares submits to the exclusive jurisdiction of the Courts of the State of New South Wales, Australia and the Courts of appeal from them.

9. GLOSSARY OF TERMS

“**Applicant**” means an applicant for New Shares who duly completes an Application Form and pays the applicable Application Monies.

“**Application**” means an application for Shares pursuant to the Offer made on an Application Form or deemed to be made through the payment of the relevant Application Monies in accordance with terms of the Application Form.

“**Application Form**” means an entitlement and acceptance form accompanying a paper copy of this Offer Document, pursuant to which Eligible Shareholders may apply for New Shares pursuant to the Offer and other persons may apply for New Shares pursuant to the Investor Shortfall Offer.

“**Application Monies**” means the \$0.004 issue price multiplied by the number of New Shares for which an Applicant has applied.

“**ASIC**” means the Australian Securities and Investments Commission.

“**ASIC Instrument 2016/84**” means the ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

“**ASX**” means ASX Limited ABN 98 008 624 691 (also known as Australian Securities Exchange).

“**Board**” means the Board of Directors of the Company.

“**Closing Date**” means the last date by which Applications on an Application Form will be accepted, which is 5:00pm (Sydney time) on 3 April 2018 or such other date as the Directors determine.

“**Company**” means Petrel Energy Limited ACN 125 394 667 and, where the context requires, includes the Company's subsidiaries.

“**Constitution**” means the constitution of the Company.

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

“**Directors**” means the directors of the Company.

“**Dollars**” or “**\$**” means dollars in Australian currency.

“**Eligible Shareholder**” means a Shareholder with a registered address in Australia or New Zealand on the Company's Share register at the Record Date.

“**Entitlement**” means the right to subscribe for New Shares initially offered to Eligible Shareholders under the Offer based on the number of Shares held by that Eligible Shareholder on the Record Date. Every Entitlement giving the holder, upon the payment of the Issue Price, the right to receive one New Share.

“**Existing Options**” means the existing quoted and unquoted options over unissued ordinary shares in the Company at the date of this Offer Document.

“**Ineligible Shareholder**” means a Shareholder on the Company's Share register at the Record Date that is not an Eligible Shareholder.

“**Investor Shortfall Offer**” means the offer and placement within three months of the Closing Date of any Shortfall Shares not subscribed for pursuant to the Shareholder Shortfall Offer.

“Issue Price” means the price payable on subscription for each New Share, being \$0.004.

“Listing Rules” means the Listing Rules of ASX.

“New Shares” means Shares offered under the Offer.

“Offer” means the non-renounceable pro-rata entitlement offer of New Shares to Eligible Shareholders under this Offer Document, including the Shareholder Shortfall Offer and Investor Shortfall Offer.

“Offer Document” means this Offer Document dated 1 March 2018.

“Option” means an option to acquire a Share.

“Record Date” means the date and time at which Shareholders must hold Shares in order to qualify for the pro-rata entitlement in the Offer, being 7:00pm (Sydney time) 6 March 2018.

“Relevant Interest” has the meaning given to that term in the Corporations Act.

“SEI” means Schuepbach Energy International LLC, a company incorporated under the laws of Delaware.

“Share” means a fully paid ordinary share in the Company.

“Share Registry” means Boardroom Pty Limited ACN 003 209 836.

“Shareholder” means a holder of Shares registered on the share register of the Company.

“Shareholder Shortfall Offer” means the offer to Eligible Shareholders of Shortfall Shares in addition to their Entitlement.

“Shortfall Amount” means the difference between the number of New Shares that would be issued if all Shareholders took up all of their Entitlements under the Offer, and the total number of New Shares for which valid Application Forms and Application Monies have been received.

“Shortfall Shares” means such number of New Shares for which valid Applications have not been received.

“Voting Power” has the meaning given to that term in the Corporations Act.

ENTITLEMENT & APPLICATION FORM

Name & Address
 Name & Address
 Name & Address
 Name & Address
 Name & Address
 Name & Address

Subregister:
 HIN / SRN:
 Entitlement No:
 Number of Shares held
 At 7:00 pm AEST on 6 March 2018:

Barcode

A non-renounceable pro rata entitlement offer to Eligible Shareholders on the basis of one (2) New Shares for every three (3) Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.004 per New Share to raise approximately \$4.50 million.

A Entitlements Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by 5.00pm (Sydney time) on 3 April 2018 with payment will constitute acceptance of the Offer.

Entitlement to New Shares on the basis of 2 New Shares for every 3 Shares held on the Record Date	Price Per New Share	Amount Payable for Full Acceptance, at \$0.004 per New Share
	\$0.004	

If you wish to accept **PART ONLY OF YOUR ENTITLEMENT** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable

Number of New Shares accepted	Price Per New Share	Amount
	\$0.004	\$

If the person completing this form is acting for the Shareholder, the return of this form together with payment will constitute acceptance of the Offer by the Shareholder, and if that person is acting under Power of Attorney, he/she states he/she has not received notice of revocation and that he/she has authority to accept the Offer.

B Apply for Shortfall Shares (if available)

If you wish to apply for Shortfall Shares and Options in addition to your Entitlement above please insert the number of Shortfall Shares and Options in the box below and the appropriate amount payable. These additional Shortfall Shares and Options will only be allotted if available.

Number of Shortfall Shares Applied for	Price Per Shortfall Share	Amount
	\$0.004	\$


C Enter Number of Entitlement and Additional Shortfall Shares Applied For Below

Total Number of Entitlement and Shortfall Shares Applied for A+B	Price Per New & Shortfall Share	Total Amount Enclosed A+B
	\$0.004	\$

D Payment

Payment may only be made by BPAY or cheque. Cash will not be accepted via the mail or at Boardroom Pty Limited. Payments cannot be made at any bank. If paying by BPAY you do not need to return the Entitlement and Acceptance Form.

Payment Option 1 - BPAY

	<p>Billers Code:</p> <p>Ref: Column O</p>	<p>Telephone & Internet Banking - BPAY® Contact your bank, credit union or building society to make this payment from your cheque, credit or savings account. More info: www.bpay.com.au © Registered to BPAY Ltd ABN 69 079 137 518</p>
<ul style="list-style-type: none"> • To pay via BPAY please contact your participating financial institution • If paying by BPAY you do not need to return the Entitlement and Application Form • If paying by BPAY the payment received divided by the issue price will be deemed to be the total number of New Shares you are applying for. 		

Payment Option 2 – Cheque (Record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to "Petrel Energy Limited – Rights Issue A/C" and crossed Not Negotiable.
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

E Contact Details

CONTACT NAME	EMAIL ADDRESS	TELEPHONE – WORK	TELEPHONE - HOME

Important Information: This document is of value and requires your immediate attention. If in doubt consult your stockbroker, solicitor, accountant or other professional advisor without delay.

The offer to which this Entitlement and Application Form relates does not constitute an offer to any person who is not an Eligible Shareholder, and in particular is not being made to Shareholders with registered addresses outside Australia or New Zealand. This Entitlement and Application Form does not constitute an offer in the United States of America (or to, or for the account or benefit of, US Persons) or in any jurisdiction in which, or to any persons to whom it would not be lawful to make such an offer.

ACCEPTANCE OF THE OFFER

By either returning the Entitlement and Application Form with payment to the Share Registry, or making payment by BPAY, by 5.00pm (Sydney time) on 3 April 2018:

- you represent and warrant that you have read and understood and agree to the terms set out on this form.
- you represent and warrant that you are not located in the United States or a US Person and are not acting for the account or benefit of a US Person or any other foreign person;
- you provide authorisation to be registered as the holder of Shares & Options acquired by you and agree to be bound by the constitution of Petrel Energy Limited; and
- your application to acquire Shares and Options is irrevocable and may not be varied or withdrawn except as allowed by law.

HOW TO ACCEPT NEW SHARES OFFERED

1. **BPAY payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Contact your Australian bank, credit union or building society to make this payment from your cheque, savings or credit account. For more information visit: www.bpay.com.au. Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY before 5.00 pm (Sydney time) on 3 April 2018.

If the BPAY payment is for any reason not received in full, the Company may treat you as applying for as many New Shares as will be paid for by the cleared funds. Shareholders using the BPAY facility will be bound by the provisions relating to this Offer. **You are not required to submit this Entitlement and Application Form if you elect to make payment using BPAY.**

2. **Cheque payment method:** The total amount payable to accept your entitlement in full is shown in section A on the front of this form. Complete your payment details in section C and send your cheque/bank draft and the completed form to Boardroom Pty Limited at the address shown below so as to reach the Share Registry before the close of the Offer at 5.00pm (Sydney time) on 3 April 2018. A reply paid envelope is enclosed for your convenience.

Postal Delivery:

Petrel Energy Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Hand Delivery:

Petrel Energy Limited
C/- Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000