

Eromanga Hydrocarbons NL

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Company Announcements Office
Australian Stock Exchange Limited

ASX and Media Release
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Operations Update

Eromanga Hydrocarbons NL (ASX: ERH, ERHO, ERHCA) is pleased to provide an update on operations as follows.

1. **Block 330 – Wells PACA 1 and PACA 2**

Gavea Joint Venture (ERH 40%),
Sergipe Alagoas Basin, Onshore, Brazil

Current Status

At PACA 2, swabbing of the test interval Zone DDD (from 306 to 314 meters) has been completed. Zone DDD is predominantly a sandstone interval which was logged as having an average porosity of greater than 23% and average oil saturation of 67%. The Joint Venture plans to complete this interval for an extended production test to commence once approval has been received from the ANP, Brazil's oil industry regulator. Lower intervals are also expected to be production tested at that time.

Swabbing recovery from the DDD interval has varied within a range up to 3.8 bbls/hour. The content of the fluid recovered has varied as the Operator has injected, and the formation has subsequently responded to, diesel and then diesel in association with a solvent to initiate and stimulate flow. The Operator's early assessment of the oil is that it has similar characteristics to the oil produced at PACA 1.

Swab testing of the Zone EEE (from 237 to 245.5 meters) is underway.

The extended production test at PACA 1 has re-commenced after inspection of the facilities by the ANP. The Joint venture is finalizing its application for a production licence ring fence based on the results at PACA 1 and 2.

Interpreting the Results Above

The Joint Venture expects improved flow rates once the well is fully production tested under pump. Swabbing recovery has been impacted by the development of an emulsion caused by a reaction of the drilling mud with the oil and formation water. Importantly:

- The oil in the formation responded to the injection of solvents with an increase in the proportion of oil contained in the fluid recovered from swabbing; and
- Tests have confirmed the creation of an emulsion when oil from PACA 1 is combined with the drilling fluid used at PACA 2; and
- PACA 1, which is currently producing, was originally drilled with a different drilling fluid composition to that used by the Joint Venture at PACA 2.

Eromanga has initiated a programme of analysis and review with the Operator in order that future wells drilled in the Sergipe-Alagoas Basin blocks by the Joint Venture use a drilling fluid which is less antagonistic to the mobility of the oil encountered.

2. Block 430 – Wells TATU-1 and TATU-2

Gavea Joint Venture (ERH 40%),
Sergipe Alagoas Basin, Onshore, Brazil

Preparation work is continuing for an up-dip appraisal well, TATU-2 on the Block 430 Location 1 discovery. Subject to Joint Venture approval, TATU 2 is expected to commence once the rig is released from its current activities.

3. Blocks 138 and 59

Silver Marlin Joint Venture (ERH 50%),
Reconcavo Basin, Onshore, Brazil

Silver Marlin has applied for an injunction which was filed with the Corporate Court of the State of Rio de Janeiro. Silver Marlin is seeking that:

- Silver Marlin be authorized to maintain its operations in the Blocks, in accordance with the consortium contracts executed with Mercury do Brazil (Eromanga's subsidiary in Brazil);
- Mercury do Brazil is removed from the Joint Venture with Silver Marlin and is prevented from seeking any share in the results of the operations in the Blocks; and
- the ANP be notified of the preliminary decision arising from the injunction.

There is no claim in the injunction for a financial contribution by Eromanga. Eromanga will defend the application.

Phil Galloway

Chief Executive Officer

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In accordance with ASX Rules, the geological information of this release has been reviewed and approved by Mr John Weston, Executive Director of Eromanga Hydrocarbons NL, BSc (Hons) and MSc Geology. Mr Weston is a member of the Society of Petroleum Engineers and has more than 30 years of relevant experience within the industry and consents to the information in the form and context in which it appears.

Figure 1 - Gavea Joint Venture
Location of Block 330 & 430

Gavea JV – Sergipe Alagoas Basin

