



7 February 2018

Ms Stephanie So  
Senior Advisor, Issuers (Sydney)  
ASX Limited  
Level 6, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Stephanie

**ASX Appendix 5B Query**

I refer to ASX's query letter dated 6 February 2018 regarding PRL's December 2017 Appendix 5B quarterly report lodged with ASX on 31 January 2018. As requested PRL has responded separately to each of ASX's questions as follows:

1. Does PRL expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

*PRL is an oil and gas exploration company its operating cashflows will remain negative until it has completed exploration, evaluation and development phases on its projects prior to oil and gas production revenues. Proceeds from the disposal or sell down of PRL tenements may well occur prior to the production phase but this will be considered cash from investing activities.*

2. Has PRL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

*PRL is considering the issue of additional shares on ASX and borrowing as well as introducing a new partner into the project as outlined in its December quarterly report.*

*"While Petrel continues to discuss forward funding with its partner in SEI, who retain the option to fund 37.3% share of all future SEI capital requirements, Petrel's strategy, as with its recent Spanish asset transaction, has always been to share the risk on this frontier project. As a consequence, it has commenced a dialogue with a number of potential new partners to fund a majority share of the remaining current programme. With its increased 62.7% holding in SEI there is scope to introduce a new 20% partner whilst Petrel retains more than 50% of the project".*

3. Does PRL expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?



*PRL expects to be able to continue its operations and to meet its business objectives by funding the remainder of its Uruguay drilling programme (see funding options discussed in response to question 2) and progressing the Spain exploration programme being funded by a third party.*

4. Please provide any other information that PRL considers may be relevant to ASX forming an opinion on whether PRL is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

*PRL holds valuable tenements in Uruguay and Spain which are undergoing value adding exploration programmes. Last quarter PRL, in its first well, recovered to surface the first oil in Uruguay. Whilst not economic it represented a quantum first step in redefining the oil, and potentially gas, prospectivity of the Notre Basin in particular PRL's concessions covering 3.5m acres. Last quarter PRL entered into a staged share purchase agreement to provide proceeds of up to €2m to fund its share of an agreed €3.8m Tesorillo work programme which includes a trial magnetotelluric programme, followed by a full magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956.*

5. Please confirm that PRL is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

*Confirmed. PRL has capitalised approximately A\$39m of exploration expenditure at 31 December 2017 for 100% of its Uruguay and Spain projects. PRL shareholders have increased their proportion of this from 51% to 62.7% last quarter. As part of the half year accounting process this balance will be reviewed to determine the appropriateness of continuing to carry forward these costs. Given the difference between the market capitalisation of PRL and the carrying value of the assets a write down of the carrying value is likely, Management is in the process of assessing the quantum of the write down. The outcome will depend in part on the progress of the partner process mentioned above.*

6. Please confirm that PRL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PRL with delegated authority from the board to respond to ASX on disclosure matters.

*Confirmed*

Yours sincerely

A handwritten signature in black ink, appearing to read "I. Kirkham", written in a cursive style.

**Ian Kirkham**  
Company Secretary



6 February 2018

Mr Ian Kirkham  
Company Secretary  
Petrel Energy Limited  
Level 6, 10 Bridge Street  
Sydney NSW 2000

By email

Dear Mr Kirkham

**Petrel Energy Limited ("PRL"): Appendix 5B Query**

I refer to PRL's Appendix 5B quarterly report for the period ended 31 December 2017 lodged with ASX Market Announcements Platform on 31 January 2018 (the "Appendix 5B").

ASX notes that PRL has reported:

- negative net operating cash flows for the quarter of \$5,396,000
- cash at the end of the quarter of \$831,000; and
- estimated cash outflows for the next quarter of \$3,200,000.

It is possible to conclude, based on the information in the Appendix 5B that if PRL were to continue to expend cash at the rate indicated by the Appendix 5B, PRL may not have sufficient cash to continue funding its operations for the next two quarters. In view of that, ASX asks PRL to respond separately to each of the following questions and requests for information:

1. Does PRL expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has PRL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does PRL expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that PRL considers may be relevant to ASX forming an opinion on whether PRL is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that PRL is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

6. Please confirm that PRL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PRL with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEDT on Friday, 9 February 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in PRL's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PRL's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to PRL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that PRL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PRL's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

*[sent electronically without signature]*

Stephanie So  
Senior Adviser, Listings Compliance (Sydney)