

2 August 2016

ASX Announcement

SKYLAND PETROLEUM EXECUTES AGREEMENT TO ACQUIRE EAST SIBERIA OIL AND GAS ASSET

YAKUTSK, EAST SIBERIA, Russia Federation, 2 August 2016, Skyland Petroleum Limited (ASX:SKP); (“Skyland” or the “Company”):

- **SKYLAND HAS EXECUTED** a binding share purchase agreement with a private Russian company for the purchase of a producing oil and gas asset located in Eastern Siberia.
- **ACQUISITION OF THIS ASSET** will, in the opinion of the board of directors;
 - be a landmark transaction in Skyland’s history, bringing a substantial increase in the value of the Company’s ongoing business.
 - be transformational, moving Skyland into a new league as a significant player in an area which will be one of the major sources of oil and gas for East Asia, China and indeed India in the future.
 - Acquisition of this asset places the Company in a unique position with respect to short to medium term cash flow and asset growth in what will become one of the most important oil and gas basins in the world.
- **FIELD PRODUCING OIL** with currently limited production for the local market, which the Company intends to increase substantially following a successful acquisition, and the Company believes that it will commence much higher production for exports from 2018.
- **SUCCESSFUL CONTINUATION** of Skyland’s strategic objective: to become a world-class player in the production of oil and gas in East Siberia and to open channels for the supply of commercially viable hydrocarbons to emerging Asian markets. Skyland would become one of the very few international companies operating in this area.

DR. DAVID ROBSON – Chairman and Managing Director, commented:

“We are extremely pleased to have made such progress in East Siberia thus far and we look forward to completing this transaction subject to conducting further due diligence.”

“This agreement fits in very well with our long term growth strategy. Skyland has actively reviewed several projects in this region and believes that this project is extremely attractive and provides a very good base for Skyland’s entry into this prolific oil and gas province with export routes to the major east Asian economies. The Company certainly believes that this potential acquisition has the ability and the potential to substantially increase the value of the Company’s business both in the short and long-term future.”

“Our team has worked hard to ensure the projects selected to date will benefit the Company’s stakeholders and shareholders and view the East Siberia project to be

transformational, ultimately securing Skyland as a permanent player in the supply of energy to the ever growing economies of East Asia and particularly China.”

More detail on the deal and the asset:

Skyland has entered into a share purchase agreement (“SPA”) to acquire an oil and gas production and development asset located in the Sakha (Yakutia) Republic of East Siberia (Russian Federation) (the “Sakha License”) (the “Transaction”).

The licence, which covers an area of 2,452 km² contains four discovered oil and gas fields (one of which is on pilot production with oil sales within the region), several exploration discoveries and additional exploration targets.

The SPA is made between Skyland and the 100% owner of the Sakha License; a private Russian company, and relates to the purchase of the entire share capital of its subsidiary which holds 100% of the Sakha Licence.

Closing on the SPA is subject to certain conditions precedent being satisfied and/or waived by the Company: including the receipt by the Company of satisfactory legal, commercial, technical and financial due diligence investigations and final Skyland Board approval. Completion of the Transaction must occur before the end of 2016.

The discovered oil and gas fields contained within the licence have recoverable volumes on the balance of the Russian State Register (as at 1 January 2016) of 98.6 million barrels of oil and condensate (at C1+C2 level) and 946 billion cubic feet (26.8 billion cubic metres) of gas at C1+C2 level (a total of 256 million barrels oil equivalent). These figures were derived using the Russian system of classification and have not been verified by Skyland.

Since the Company’s change of business to oil and gas exploration and production from February 2016 Skyland has been investigating multiple projects in East Siberia; including a previously announced exclusivity agreement to potentially acquire a majority interest in four prospective oil and gas blocks in the Sakha Republic (not related to the Sakha License or SPA referred herein), which the Company has decided not to proceed with.

Skyland has been present in the region since 2015, working to locate the best commercial opportunities and projects for the Company and its shareholders.

The licence block lies on trend and north of the giant Srednebotuobinskoe oil and gas field (“TAAS Project”) operated by the Russian State oil company Rosneft and with BP plc holding a 20% interest. The reservoirs in the Sakha License are very similar to those of the TAAS project, being good quality sandstones at a depth of approximately 2,100 metres. Skyland believes that the Transaction is an extremely attractive acquisition for the Company, providing both early production and considerable upside for future growth.

A considerable amount of 2D and 3D seismic data has been acquired on the Sakha Licence and 39 wells have been drilled. The Skyland team has considerable knowledge of these reservoirs regionally, as well as experience in working in similar locations.

One of the discovered fields within the Sakha Licence is currently producing good quality sweet light crude oil which is currently being sold on the local market under an early stage production scheme. Should Skyland proceed with the acquisition of this licence, the Company plans to ramp up production in the short term and in 2018 to export much larger volumes of oil to world markets through the existing East Siberia Pacific Ocean oil trunkline (“ESPO”) to the port of Kosmino near Vladivostock on the Pacific Ocean initially using an expanded

trucking operation. It is further planned to transport gas to China through the “Power of Siberia” gas trunkline which is expected to be commissioned in 2020.

In the event that Skyland proceeds to close this Transaction, the Company believes that it will add significantly to the value of the business and as such the Company may require additional resources to implement the acquisition and programme.

About the Sakha Republic in East Siberia:

The Sakha (Yakutia) Republic is located in East Siberia (Russian Federation) and covers an area of 3 million square kilometres (comparable to the size of India). The land is rich in natural resources, including oil and gas, diamonds and timber. Historically, there was a heavy focus on the development of West Siberian resources for the delivery to Europe, and as a result the eastern area was largely overlooked and had remained underdeveloped due to the lack of market and infrastructure.

However, due to the rapid growth of Asian markets, new technologies, new transport routes and government incentives offered to subsoil companies to invest in and to expand operations into East Siberia, there is an ongoing shift from West to East for future oil and gas production. Skyland firmly believes in the technical and commercial potential of the oil and gas reserves and resources of the Sakha Republic and that this area will become one of the world’s major oil and gas basins in the future.

About Skyland:

Skyland Petroleum Limited is an oil and gas exploration and production company listed on the Australian Securities Exchange (“ASX”) and primarily focused on projects in Central Asia, the Caucasus and Russia. The company aims to create and maximize shareholder value by acquiring and developing a portfolio of productive oil and gas assets with significant unrealized technical and commercial upside at attractive acquisition metrics.

DISCLAIMER

This announcement contains "forward-looking information". Such forward-looking statements reflect the current views of the Company with respect to future events and are subject to certain assumptions. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company. The "forward looking statements" contained herein speak only as of the date of this announcement and, unless required by applicable law, regulation or ASX listing rules, the Company undertakes no obligation to publicly update or revise such information; whether as a result of new information, future events or otherwise. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement. No representation, warranty or assumption (express or implied) is given in relation to any underlying assumption or that any forward looking statement shall be achieved. Given these uncertainties any reader of this announcement is cautioned not to place undue reliance on any such forward looking statements.

It should be noted that there are numerous uncertainties inherent in estimating reserves and resources, in projecting future production, development expenditures, operating expenses and cash flows of hydrocarbon prospects and/or projects. Oil and gas reserve engineering and resource assessment should be recognised as a subjective process which cannot be measured without an individual judgment being made. References in this announcement to reserve and resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal may be required to determine the quality and commerciality of potentially moveable hydrocarbons. The information presented in this release has not yet been verified by the Company or by any independent reserve and resources evaluator. The figures are based on estimates on the Russian State Register and the Company believes that the recoverable volumes figures quoted have been prepared in accordance with Russian definitions, not in accordance with the standard definitions set out by the Society of



Petroleum Engineers, Petroleum Resource Management System. Barrels of oil equivalent ("BOEs") may be misleading, particularly if used in isolation. A BOE conversion ratio of 6,000 cubic feet (170 cubic metres) of gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. A conversion factor of 7.3 barrels per tonne of crude oil has been applied.

For more information please contact:

Skyland Petroleum Limited

Jennifer McDonald: Investor Relations Manager

Email: info@skylandpetroleum.com

www.skylandpetroleum.com