

Funding Update and Peru Drill Target



Open Briefing interview with Managing Director David Ormerod

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In this Open Briefing[®], MD David Ormerod discusses:

- Entitlement Issue and Capital Raising
- Oil Exploration in South America
- Drill target, Block 105 Peru
- Company Outlook

Record of interview:

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Antilles Oil and Gas Limited (ASX: AVD) is in the process of completing an Renounceable Entitlement Issue of 3 shares for every 2 held by shareholders, at an issue price of \$0.085 per share (with 1 free attaching option for every subscribed share) to raise up to \$3.7M. These funds are to be utilised predominantly on reworking of 2D seismic data supplied for the South Peru Block 105 which has a 1P oil resource target of 29.6 million barrels. Funds will also be applied to the first well planned for Block 105. The issue will close to subscriptions on 16 June and these new shares will be quoted on the ASX from 24 June.

David, what is the background to Block 105 and what attracted you to it as a first target for Antilles? How prolific is the Titicaca Basin and how does Block 105 fit within the described working hydrocarbon system in the area?

Managing Director David Ormerod

First off thanks for the opportunity to talk about Antilles and our first asset being Block 105, onshore Peru. The primary reasons the company is excited about Block 105 are that it provides an opportunity for the company to start generating early cash flow from a near-field exploration program. Historic oil production in the area gives us confidence that Block 105 is part of a working hydrocarbon system that produces oil of a good quality high 30's API (Light Crude Oil defined as API gravity greater than 30.1), so easily movable from the reservoir.

The other attractive reason for our interest is the area being onshore and having both transport options of a major highway or rail. This means, in terms of logistics, it is low cost to bring equipment to the area and importantly, low cost to export the oil. This is key to having a working project in the current low oil price environment we find ourselves in. Antilles sees a discovery leading to production in this area as being of high value to the shareholders.

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How much 2D seismic has previously been shot on the block and what will reprocessing of this data tell you about the structures and zones that you are targeting? What is the budget for this task and how long do you expect it to take?

Managing Director David Ormerod

We have around 1500 km of existing 2D that has been shot by the previous operators in the 1990's. The data has been acquired in a modern way but not processed to modern standards that are more typical today around the kinds of salt structures we see in Block 105. This was another attraction to the block, as we have existing data allowing the company to move to drilling and potentially early production on discovery. Antilles is currently reprocessing the data to modern standards with a company in Houston where we expect to begin to see the deeper resource potential that is an exciting part of the potential in the block.

Antilles has reported to the market already on the shallow resource potential of 29 mmbbl (million barrels of oil) and the deeper targets offer substantially larger resources that we plan to report on once the reprocessing is complete. The project should finish in the 3rd quarter this year and is budgeted at around US\$80,000.

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Once reprocessing is complete and this data is analysed by your team, what would be the typical timeline for the company to drill Block 105 and will you look to farm-out any interest to reduce the costs, which are estimated at approximately \$3 million?

Location of Block 105, onshore Peru, Titicaca Basin



Managing Director David Ormerod

Once the modern reprocessing of the existing 2D is complete we will be looking to report to the market the resource potential of the deeper targets which Antilles believes to be substantial and to start a farm-out process looking for partners to drill a well in the second quarter of 2016. Antilles has already contracted logistics and drilling engineering resources in Peru and the process of securing a rig and associated services is underway along with important social and community work.

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Block 105 has been in *force majeure* at the behest of the previous operator of the license. Has this suspension been lifted and what is the position of the operator and of the block currently? Can you give an overview of the tenure regime in Peru and Antilles assets within this?

Managing Director David Ormerod

Block 105 is a permit that was acquired by a Russian group called Siberian Oil (SibOil) that reviewed the existing data and attempted some early phase community engagement. At SibOil's election the block was placed into a state of *force majeure*, which companies working in Peru use as a means to "stop the clock" on the license until they are satisfied that work can continue. This allowed SibOil to hold the block while they looked for a partner and without major expenditure.

Antilles has complete control of the Peruvian subsidiary of SibOil as a part of our farm-in and is in the process of having operatorship transferred to Antilles. Antilles has a community consultation program underway and expects to bring the block out of *force majeure* by the end of this year and ahead of the drilling program. The Peruvian fiscal and system of tenure is an open, transparent and flexible one overseen by Perupetro, an experienced regulator of petroleum activities.

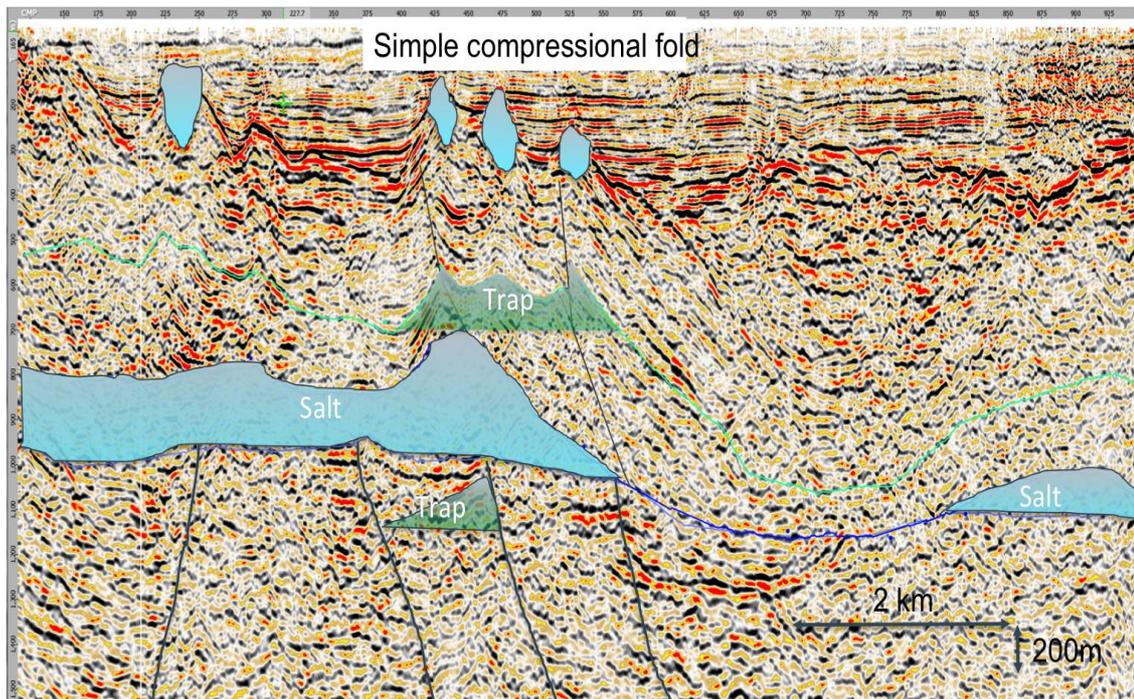
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The target resource of 29.6 million barrels as a mean case is described as the first target within the block, what are the secondary targets? Are they at greater depths along the first drill or would they be side-track targets for later drilling upon initial success and do you have estimates for these?

Managing Director David Ormerod

The shallow first target is a simple anticline we can clearly interpret on the existing seismic data with the mean resource of 29.6 mmbbl and will be the first target of the planned well at a depth of around 800m below the surface. Our deeper targets are at around 1600m and will be tested in our well that is planned to go to 2000m below the surface. The deeper targets are an exciting upside to the block as it is at these levels that the production for the Camisea LNG condensate and gas project of around 12 TCF is producing to the north of the Titicaca Basin. It is the same targets as the extensive LNG production in Bolivia so Antilles sees the deeper targets as a major target for the block.

Block 105, Seismic Section View



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David could you please explain the commercial operating costs and margins for Antilles, operating in Peru?

Managing Director David Ormerod

Peru being mainly an onshore province is low cost region to explore outside of the Amazon jungle areas. There are local drilling and services contractors in-country working out of the Talara area as well as availability of rigs from Bolivia where there is significant activity servicing the national oil company operated LNG activities. Antilles is looking at rig rates in the order of \$40,000 a day, which translates to drilling the well for around US\$3m. An economic model of a potential resource has a range of valuations all significant per barrel, at an oil price of \$50 a barrel dependant on the risk factors common to near field exploration wells.

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Block 105 is the first of a number of projects for Antilles to develop. What is the current work program for the TEA project in Sechura Basin, Northern Peru?

Managing Director David Ormerod

The Sechura Basin TEA has a work program of desktop studies mainly around the existing potential field data such as gravity and magnetics measurements, which give us a view on, the basic structures within the block. The existing nearby wells will be analysed to better understand the oil shows and oil returned to surface in the Piura-1 in particular. Antilles plans to complete the work program efficiently at a cost of US\$400,000 to allow converting the TEA to an exploration license. Antilles was drawn to the area on the basis of the similar geology to that seen in the Talara area 50 km to the west of the TEA where more than one billion barrels of oil have been produced.

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Once the Entitlement Issue is complete for the \$3.7M that the company is seeking to raise, what will the financial position be for Antilles and how will this money be spent over the coming work up plan for Block 105?

Managing Director David Ormerod

The current cash position of Antilles is around A\$2.55m as of May 15, 2015 so the Entitlement Issue will allow Antilles to commit to a drilling rig for Block 105 to drill a well in 2016 and to perform the work program for the TEA in the Sechura Basin in Peru.

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Thank you David.

For more information about Antilles Oil and Gas Limited, visit www.antillesoilandgas.com.au or call David Ormerod on (+61) 3 9674 0444

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