

7 July 2016

ASX Announcement

SKYLAND PETROLEUM DISCOVERS GAS IN HIGH POTENTIAL PROSPECT

TBILISI, Georgia, 7 July 2016 - Skyland Petroleum Limited (ASX:SKP) ("Skyland" or the "Company") is pleased to announce that testing of the Kumisi #2 Well in Georgia has resulted in gas flow with good pressure from the Lower Eocene interval.

The presence of gas in the Lower Eocene interval (which was also found to be gas bearing in the previous well) has significantly de-risked this prospect and gas produced to surface during the testing programme proves the presence of gas in the licence area, although no precise flow rate could be measured at this time. Skyland is in discussions with the operator in preparing the next steps on this discovery well.

The Kumisi #2 Well was drilled for targets in the Eocene sequences and, based on the independent resources evaluation carried out by Gustavson Associates with an evaluation date of 3 December 2015, at that time the Lower Eocene interval (gross for the Block XI^G License) was assessed to have a: (i) best estimate level of 319 billion cubic feet (Bcf); (ii) low estimate level of 146 Bcf; and (iii) high estimate level of 600 Bcf of unrisks prospective resources present (at best estimate level).¹

The well is some 10 kilometres from Tbilisi, the capital of Georgia and is close to operational infrastructure. Georgia is reported to be paying high international market price for gas supplied by Azerbaijan and this gas is being used for domestic purposes due to local demand.

Mark Sarssam, Chief Operating Officer, commented, "We are very encouraged by the recovery of gas from this well. Although further work will be required to establish the full potential, given the location of the well and adjacent infrastructure, any commercial development of gas within the licence area should be relatively simple. Our discussions with the operator continue and meanwhile this stage of testing has been completed."

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.

¹ The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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This announcement may contain “forward-looking” statements and information. Except as required by law, the ASX listing rules and applicable regulations, the Company assumes no obligation to update any such forward-looking statements and/or information contained within this announcement. Any predictions made, or implications arising from, the information provided in this announcement are subject to significant risks and uncertainties that are difficult to predict. Such risks may include information regarding the ability of an asset of the Company to produce commercially viable hydrocarbons and any reader of this announcement should consider such risks pertinent to upstream oil and gas activities when reviewing this announcement.

Technical Disclaimer

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 prospective resource estimates have an associated risk of discovery and risk of development. Further exploration and appraisal may be required to determine the existence of any quantity of potentially moveable hydrocarbons. Unless otherwise stated in this announcement, the information provided has been prepared in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System.

Those prospective resource figures quoted in this announcement have been prepared using the probabilistic method. Such figures are, net to Skyland’s 20% interest in the Block XI^G License: (i) best estimate level of 63.9 Bcf; (ii) low estimate level of 29.2 Bcf; and (iii) high estimate level of 120.1 Bcf.

The terms of the production sharing contract under which Skyland holds its 20% interest in the Block XI^G License include a cost recovery ceiling of 50% with profit oil/gas split at 40% until all costs are recovered and 35% thereafter. A royalty of USD2 per barrel is in effect and this royalty is stabilised for the duration of the production sharing agreement. A commercial discovery bonus of USD5.5 million (gross) is payable upon the commencement of commercial production. No VAT is applicable on oilfield operations and no export taxes or duties are in effect. The Georgian government has a state back-in right of up to 25% under the production sharing contract with payment of appropriate compensation and future obligations.

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