TAMASKA
OIL & GAS LIMITED

Level 7, 1008 Hay Street
Perth WA 6000

Tel: +61 8 9389 2000
Fax: +61 8 9389 2099
Email: info@tamaska.com.au
www.tamaska.com.au

ASX Release

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Demerger of Canadian Assets

Tamaska Oil & Gas Limited (ASX:TMK, Tamaska) has, subject to shareholder approval, resolved to demerge its Canadian assets, primarily comprising its 40% interest in the Montney project.

Structure of the Demerger

To effect the demerger, Tamaska has incorporated a new subsidiary, TMK Montney Limited. Subject to shareholder approval and appropriate ATO tax rulings being obtained, TMK Montney will be transferred 100% of Warren Energy Ltd (Tamaska's subsidiary which owns the Canadian assets). All the issued shares in TMK Montney (71,400,000 shares) will then be distributed by Tamaska to its shareholders on a 1 for 10 basis (an in-specie distribution).

The TMK Montney shares to be distributed to Tamaska shareholders will have an aggregate paid up value of A$4,855,200 (reflecting the book value of TMK Montney/Warren). This represents a reduction in the capital of Tamaska of 0.68 cents per Tamaska share.

The end result is Tamaska shareholders will directly own TMK Montney, an unlisted public company, which will own the Canadian assets. The Board of TMK Montney will be the same as the current Board of Tamaska. In compliance with applicable tax rulings, existing Tamaska option holders will be offered options over the same percentage of TMK Montney, such that the overall value of options held remains similar.

Rationale for the Demerger

It is apparent to the Board of Tamaska that its listed share price does not fully reflect the value of the Montney project, as this asset is early-stage oil and gas exploration, a sector that is currently out of favour. The Board is proposing to demerge the Canadian assets, primarily comprising the Montney project, in order to provide the following benefits:

1. By undertaking the demerger, Tamaska is able to pursue new opportunities without diluting shareholders' interests in the Montney project prior to its value being unlocked. Shareholders will retain their current shareholding in Tamaska and also receive a proportional share in the Canadian assets via TMK Montney.

2. In an unlisted structure, the underlying value of the Montney project can be unlocked over time and with low overheads and minimal dilution. With the land acquisition phase almost complete, there are little short term capital commitments for the project.

3. The next steps for the Montney project are to monitor drilling results in nearby areas, incorporate such results into ongoing geoscience studies, and to seek to enter into a partnering arrangement to drill up the project with a reputable Canadian company.

4. Assuming the value of the Montney project is unlocked in due course, TMK Montney will then be able to seek to establish liquidity or a financial result in respect of its shares.

5. In the meantime, Tamaska will be free to pursue new business opportunities likely to achieve greater recognition in the Australian stock market. To assist this, Tamaska intends to undertake a rights issue offer to raise up to $2.14 million, as described below.

Tamaska's partner in the Montney project is Transerv Energy Limited (ASX: TSV) which owns 60% of the project through its subsidiary Woma Energy Ltd. For similar reasons, Transerv has also resolved to effect a demerger of its Canadian assets, comprising primarily its 60% interest in the Montney project.

The proposed Transerv (Woma) and Tamaska (Warren) demergers are separate transactions and are not conditional upon each other. Post demerger, Woma and Warren intend to continue to collaborate to advance the Montney project under the existing Joint Operating Agreement.

Warren also holds some other residual Canadian oil and gas assets, namely, the Duvernay/Rock Creek project, which asset is not considered to be of material value.

Post the demerger, Tamaska intends to undertake a renounceable rights issue offer to raise additional working capital. The rights offer is proposed to be 3 new shares in Tamaska for every 2 held, issued at a price of 0.2 cents per share (post demerger), to raise up to $2,142,000 (pre costs). Details and timing of the intended rights issue offer will be subject to further announcement once the demerger is approved.

Further details of the demerger will be included in a Notice of Meeting to be dispatched to shareholders shortly.

For and on behalf of the Board

Alexander Parks
Managing Director
Tamaska Oil & Gas Limited

Background on the Montney Play

The Montney Formation is a proven tight gas and tight liquids play in the provinces of Alberta and British Columbia, Western Canada. The play is successfully developed using pad based horizontal drilling and fracking technology.

Liquids-rich parts of the play in British Columbia began to be developed in late 2013 and 2014. Following exceptional results in liquids-rich areas, the Montney has recently emerged as one of the most commercially attractive and compelling unconventional prospects in North America

The Joint Venture has identified areas of potential liquids-rich parts of the play using an extensive public domain dataset. Targeted land acquisition is now substantially complete with the JV being successful in acquiring approximately 83 sections (55,600 acres / 22,565 Ha) of land in the play.