7 June 2011

Alberta Crown Land Sale Sets Record

Highlights

- June 1, 2011 Alberta Crown sale sets a new record with CAD $749 million paid for 497 sections of land;
- Lands are adjoining, or in the immediate vicinity of, Mako's Rock Creek lands;
- No significant vacant Crown land remains within the vicinity of Mako's Rock Creek lands;
- Industry commentary suggests the target of the acquisitions is a new Duvernay Shale play;
- Mako holds rights to the Duvernay in addition to the Rock Creek rights;
- Applying the average price paid per hectare, management estimates asset backing of the Company's issued shares at approximately CAD $0.46 per share on a raw land basis.

Mako Energy Limited **(ASX: MKE, "Mako")** announces that 497 sections of land adjoining or in the vicinity of Mako's Rock Creek lands were sold at the June 1, 2011 Alberta Crown sale generating aggregate revenue of CAD $749 million, which set a new record for a single land sale in Alberta.

Mako holds 61.5 net sections of land in the area and operates 123 gross sections in the vicinity on behalf of itself and its joint venture participants WOMA Energy Limited (a subsidiary of Transerv Energy Ltd. (ASX:TSV) and Warren Energy Limited. Of Mako's holdings, 35 net sections are contiguous with the lands sold in this land sale. A land map for the mineral rights in the area is attached.

The land sale generated an average price over the 497 sections of approximately CAD $5,886 per hectare (CAD $1.5 million per section), with the tracts adjoining Mako's 35 net sections of lands attracting between CAD $3,000 and CAD $13,000 per hectare. Applying these values to its regional land base and exclusive of its other assets, management estimates a raw land backed per issued share value of CAD $0.46.

ASX Code: MKE

Shares on issue:
110,531,286

Current share price:
$0.16 (2 June 2011)

12 month range:
$0.37 (high) - $0.04(low)

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Industry published technical and media coverage suggests the bidders are targeting a Duvernay formation resource opportunity, which is a known, hydrocarbon source rock shale. The Duvernay resource play is in the early stages of development with only a small number of wells drilled within the vicinity of the Mako lands to date.

Mako owns approximately 59 net sections of land with rights to the Duvernay formation.

FURTHER INFORMATION

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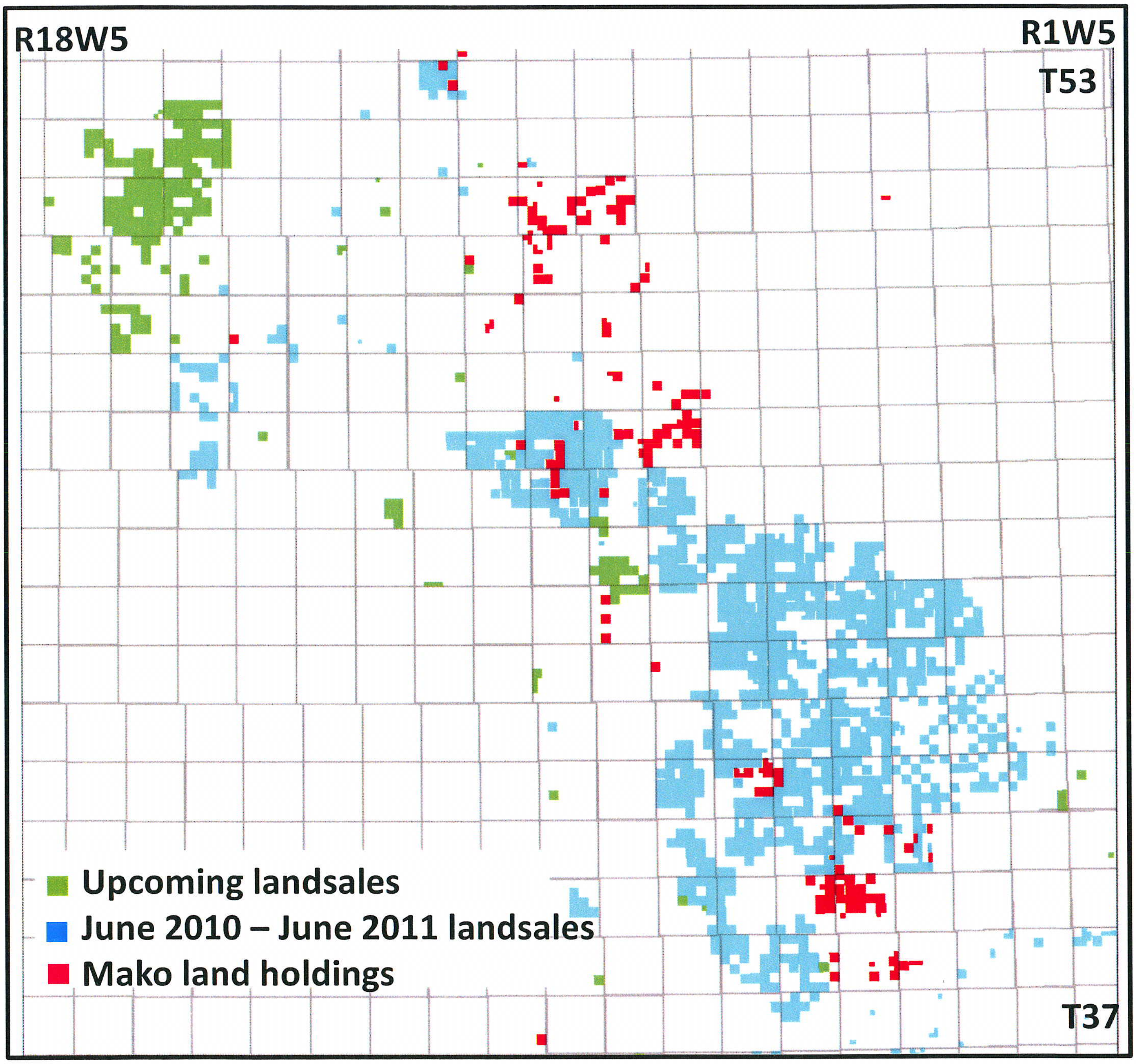
The information in this Announcement has been authorised by Mr. Cam Bolter who is the Executive Vice President of Mako Energy Limited (the "Company"). It has been produced for the Company, and at its request, for adoption by the Directors. Mr Bolter has sufficient experience that is relevant to the style and nature of hydrocarbon resources and prospects under consideration, and to the activities discussed in this document. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clauses 18-21 0f the Valmin Code 2005 and ASX Listing Rule 5.11. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.



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Upcoming landsales
June 2010 – June 2011 landsales
Mako land holdings

Drilling rights fetch record $842M for Alberta

Central Alberta acreage draws enormous bids

BY DINA O'MEARA AND REBECCA PENTY, CALGARY HERALD JUNE 2, 2011

Alberta's latest land sale attracted record high results from producers interested in light oil and liquids-rich natural gas prospects in an area north west of Red Deer.

Photograph by: Mikael Kjellstrom (Kjellstr m), Calgary Herald

CALGARY — Alberta will rake in $842 million from its largest sale of oil and gas drilling rights on record — including a whopping $107 million for a 7,900-hectare licence northwest of Red Deer.

Alberta Energy reported Wednesday afternoon it had sold leases or licences on 271,000 hectares at an average price of $3,100 per hectare.

The sale almost doubles the provincial take — in nine sales through May, it had raised $902 million at just $694 per hectare — and puts it on track to beat the record of $2.39 billion set in 2010.

Energy Minister Ronald Liepert said the injection of cash is unexpected, but welcome.

"Certainly, what it means for the government is it's about $840 million we had not budgeted for," said Liepert, while on a tour of the oilsands.

The provincial government is facing a forecast deficit of $3.4 billion for 2011-12, but Liepert declined estimating how big an impact the land sales revenue will have.

"It's too early to tell because we haven't even finalized last year's budget yet, but it's an injection into the revenue stream," he said.

The biggest sale was registered to land agent Meridian Land Services and valued the land at $13,530 per hectare.

Another parcel with the same regional co-ordinates was sold to agency Canadian Coastal Resources, won with a bid of $57 million or nearly $14,400 per hectare.

The payout for a parcel the size of a township in central Alberta raised eyebrows among industry insiders as the region had not seen much interest prior to Wednesday's sale.

Kathleen Dorey, chief geologist with Petrel Robertson Consulting, echoed surprise over the $810 million total spent on licences in the region.

"That's amazing," she said "It's interesting because it is definitely an attractive area, and there hasn't been a lot of activity there."

The central Alberta region is part of the venerable Pembina oilfield trend, Alberta's most prolific pool that has been producing since 1953.

Dorey said producers likely be targeting light oil and liquids-rich natural gas from Belly River, Nisku and possibly Cardium plays.

"If there is a land base available, which there seems to have been, that makes it really attractive, too," she said. "The fact that they can actually get in there and drill wells that could potentially be oil rich is a big thing."

Producers who had participated in the sale were flabbergasted by the results.

"Holy smokers, that's unbelievable," said Anthony Lambert, president and chief executive of Daylight Energy Ltd., upon hearing the size of the sale. "That's a horrendous pile of money."

Daylight bought three parcels near Edson in its own name for a little over $10 million, paying between $1,600 and $3,200 per hectare.

Lambert said it is filling in the spaces around its Cardium liquids-rich gas play.

He said the bigger bids in the Rimbey area are likely targeting the Duvernay shales.

Liepert said the massive land sale shows that industry players are taking advantage of advances in technology that allow companies to produce from reservoirs that would have previously been considered depleted.

"When we made the changes last spring with the royalty regime, it was to incent new technology and I think it's working well," Liepert said.

Travis Davies, a spokesman with the Canadian Association of Petroleum Producers, agreed.

"I think it's reflective of advances in technology that's enabled a resurgence of production of conventional oil from tight or low permeability reservoirs that we couldn't access effectively or economically before."

With files from Dan Healing

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Alberta's latest land sale attracted record high results from producers interested in light oil and liquids-rich natural gas prospects in an area north west of Red Deer.

Photograph by: Mikael Kjellstrom (Kjellstr m), Calgary Herald

Emerging central Alberta plays drove record rights sale

Observers credit high oil prices, advanced technology

BY REBECCA PENTY, CALGARY HERALD JUNE 2, 2011

Mike Dawson, president of the Canadian Society for Unconventional Gas, said risk in oil and gas has switched from being about geology to being purely about engineering.

Photograph by: Tim Fraser, Calgary Herald

CALGARY - Alberta's largest oil and gas land rights sale in history demonstrates the industry's willingness to pay big cash for emerging resource plays, observers said Thursday.

The majority of the 271,000 hectares of land rights sold Wednesday to net the province about $842 million are northwest of Red Deer near the small community of Rimbey, where most activity lately has targeted Cardium for tight oil, among 15 other formations, but where major and junior players are starting to look at what they could earn by tapping the deeply buried Duvernay shale.

The average successful bid price of $3,100 per hectare — which topped the record of $2,200 set in July 2010 — comes as oil prices, hovering around $100 US a barrel for West Texas Intermediate, remain high enough that marginal areas look more promising with newer technology.

It's impossible to say specifically which formations bidders are interested in, since ambitions are kept guarded. Industry firms habitually have brokers buy up land rights on their behalf.

But it's clear to Dundee Capital Markets analyst Travis Wood from the province's broad description of blocks of land up for grabs that beyond the typical area targets, companies might be attracted to the Duvernay.

Wood predicted in an analysis on May 20 that land prospective to the Duvernay could fetch $1, ooo to $3,000 per hectare for the province — a forecast that proved too conservative when looking at an average bid price that topped that.

“What now, we’ll watch, is whether company a company will drill new pool wildcat wells, which are more exploratory,” Wood said.

Just a few Duvernay wells drilled to date have produced mixed results, but the formation’s potential has attracted considerable interest since Encana Corp. said it bought nearly $300 million worth of land in an area of west-central Alberta called Kaybob to target the Duvernay, said to be liquids-rich.

Encana wouldn’t say whether it submitted or won any rights.

“We don’t comment on land sales because of the competitive nature of them,” spokesman Alan Boras said.

Wood’s analysis noted junior firm Yoho Resources Inc. was recently licensed to drill a vertical new pool wildcat well in mid-April, but he expected the larger players already quite active in the region would dominate the June 1 sale.

Yoho has called the Duvernay a “very exciting” resource play.

Adam Gill, director of institutional equity research at CIBC World Markets, disputed Energy Minister Ronald Liepert’s proclamation in a release that there was a focus on conventional oil in the Cardium formation among rights nabbed in the land sale.

Liepert credited his government’s changes to the royalty structure with encouraging the use of new technology.

But Gill said the bulk of the dollars spent in the land sale were on deeper formations than Cardium.

“As far as I can see, there are sizable companies targeting the Nordegg and the Banff, and those are the unconventional oil targets and there’s potential that someone is buying this for the Duvernay shale,” Gill said.

Within the largest and most expensive licence won, $107 million for a 7,900-hectare swath of land the size of a township northwest of Red Deer, there are rights to explore and develop Cardium resources in one tract of land.

Mike Dawson, president of the Canadian Society for Unconventional Gas, said risk in oil and gas has switched from being about geology to being purely about engineering.

As technology has advanced to allow companies to drill horizontally and do multi-stage hydraulic fracturing, they can access reservoirs previously thought uneconomical to develop.

But ultimately, land is king, Dawson said.

And this week’s rights sale is clear firms are eager to tie up acreage.

“Without the land, you’ve got nothing,” Dawson said.

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