

For Immediate Release ASX Announcement

5 June 2018

US\$75 million Credit Facility

Australis Oil & Gas Limited (**Australis** or **the Company**) (ASX: ATS) is pleased to advise that it and certain of its subsidiaries have entered into a credit agreement with Macquarie Bank Limited (**Macquarie**) providing for a three-year senior secured US\$75 million term credit facility (**Facility**). This Facility together with available cash funds in excess of US\$40 million, will be applied to the initial drilling program within the Company's significant Tuscaloosa Marine Shale (**TMS**) acreage position in Mississippi and Louisiana. Drilling is expected to commence in the second half of 2018.

The initial commitment under the Facility is US\$75 million, with an additional US\$25 million available, if requested by Australis, subject to further credit approval by Macquarie. First availability of committed funds under the Facility is subject to completion of customary conditions precedent, which are expected to be satisfied in due course.

Key Terms of the Facility include:

- US\$75 million is committed and available in two tranches:
 - Tranche 1: US\$35 million available immediately upon satisfaction of customary conditions, and
 - Tranche 2: US\$30 million available upon satisfactory initial well results.
 - A further US\$10m is available in Tranche 1 once ATS has entered into binding commitments to spend, from its own capital resources, US\$20 million on the initial drilling program. ATS currently has in excess of US\$40 million of cash. In the event the additional US\$10 million is not drawn in Tranche 1, the available amount in Tranche 2 is increased by US\$10 million.
- Interest rate of LIBOR plus 6.0% p.a.
- Quarterly principal repayments of US\$1 million commencing 9 months after the initial draw down, with the balance of the principle due on maturity date.
- Senior secured non-revolving facility, with security over US based assets.
- The Facility may be cancelled by the Company at any time without penalty once any drawn funds are repaid.

Option Issue

In addition to customary upfront and drawdown fees payable to Macquarie, the Company has today issued to Macquarie 30,000,000 options to subscribe for fully paid ordinary shares in the Company, all of which are subject to vesting conditions. The key pricing terms of the Option issue include:

- 20 million options at an exercise price of A\$0.49 (representing a 20% premium to the 30 day VWAP prior to this announcement) vesting on initial draw down of Tranche 1 funding and expiring on 4 June 2021.
- 10 million options at an exercise price of A\$.51 (representing a 25% premium to the 30 day VWAP prior to this announcement) vesting on the initial draw down of Tranche 2 funding and expiring on 4 June 2021.

A total of A\$14.82 million will be raised by the Company upon exercise of these options.

The implementation of this Facility is an important milestone and a catalyst for the Company to make formal commitments to progress its initial development program. Sites have been identified and preparatory work has

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begun for the drilling of the initial wells, expected to commence in the second half of 2018. As Australis contracts with identified service providers it will be in a position to advise the market of additional details about the nature and timing of the initial TMS drilling program.

Chairman of Australis Jon Stewart commented *“We are very pleased that the Macquarie Facility together with the recently completed equity raising provides Australis with substantial funding for the commencement of our TMS drilling campaign. Our initial aim is to repeat the productivity results achieved by the wells drilled within the core of the TMS in 2014 by Encana, which is the basis of our TMS Type Curve.*

“Importantly, and consistent with our corporate strategy, we have negotiated the terms of this Facility to allow flexibility to take advantage of alternate attractive funding sources as they become available. As we progress the development of our TMS assets it is likely that broader funding structures will be added as and when appropriate, to actively manage our risk and support our development plan.

We expect this program to further demonstrate the significant value of the large oil resource that we hold within the TMS, which is presently independently estimated at 145 million barrels.”

Additional Terms relating to the Facility and the issue of options to Macquarie:

- Quarterly Facility principle repayments increase from US\$1 million to US\$3 million for any period where the value of the Proved Developed Producing Reserves (PDP) is less than 1.80 times non-current liabilities.
- The Company is required to undertake a minimum hedging program during the term of the facility equivalent to approximately 40% of PDP.
- Each option converts into one fully paid ordinary share in the Company, subject to adjustments allowed by the ASX Listing Rules.
- The options may be transferred, assigned or sold to a professional or sophisticated investor provided that a deed of accession has been executed, in each case, subject to applicable laws, and in accordance with the terms of the Option Deed.
- To the extent permissible by law, if the Company ceases to be the ultimate holding company, and shares in the new holding company are quoted, the Company must use reasonable efforts to procure the holder is issued with options in that new holding company, with the same material value and terms, in exchange for these options.
- Any Facility Agreement lender who is an option holder may elect to apply the exercise price toward the then outstanding facility balance.
- In the event the holder proposes to dispose of any shares on ASX following an exercise of options, it must give five business days' notice, consult with the company, and use its best efforts to dispose of the shares in an orderly fashion.
- Shareholder approval will not be sought for the issue of the options.

Attached is an Appendix 3B in relation to the issue of options.

For further information, please contact:

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

AUSTRALIS OIL & GAS LIMITED

ABN

34 609 262 937

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Unlisted Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | i) 20,000,000 unlisted options
ii) 10,000,000 unlisted options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | i) 20,000,000 options exercisable at A\$0.49 each, expiring 4 June 2021 (Subject to vesting conditions).
ii) 10,000,000 options exercisable at A\$0.51 each, expiring 4 June 2021 (Subject to vesting conditions). |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No – The ordinary shares issued upon exercise of the vested options will rank equally with the existing fully paid ordinary shares on issue.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issued to Macquarie Bank Limited as part of credit agreement entered into, as announced by the Company on 5 June 2018.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>N/A</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>N/A</p>

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	N/A	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	4 June 2018	
8	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable)	Number	+Class
		831,998,840	Ordinary shares

+ See chapter 19 for defined terms.

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New issue announcement

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	61,971,203	Restricted Securities (Ordinary Shares Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)
	19,675,000	Options, exercisable at \$0.25 each, expiry 31 Dec 2020 (19,500,000 Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)
	28,775,000	Options, exercisable at \$0.30 each, expiry 31 Dec 2020 (27,600,000 Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)
	31,200,000	Options, exercisable at \$0.35 each, expiry 31 Dec 2022 (29,200,000 Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)

+ See chapter 19 for defined terms.

	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)		
		420,000	Options, exercisable at \$0.275 each, expiry 24 May 2021 (Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)
		6,005,000	Options, exercisable at \$0.275 each, expiry 30 Jun 2019 (Subject to a 24 month ASX imposed escrow commencing on 25 July 2016)
		14,485,365	Options, exercisable at \$0.275 each, expiry 30 Jun 2019
		420,000	Options, exercisable at \$0.3125 each, expiry 30 Nov 2021
		2,631,993	Performance Rights, expiry 31 January 2022
		500,000	Options, exercisable at \$0.285 each, expiry 31 Dec 2022
		500,000	Options, exercisable at \$0.345 each, expiry 31 Dec 2022
		500,000	Options, exercisable at \$0.40 each, expiry 31 Dec 2022
		10,321,907	Performance Rights, expiring 31 January 2023
		20,000,000	Options, exercisable at \$0.49 each, expiry 4 June 2021
	10,000,000	Options, exercisable at \$0.51 each, expiry 4 June 2021	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

+ See chapter 19 for defined terms.

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New issue announcement

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A

+ See chapter 19 for defined terms.

24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Issue date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1

⁺ See chapter 19 for defined terms.

Appendix 3B
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(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

+ See chapter 19 for defined terms.

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

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42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)

Number	+Class

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Company Secretary

Date: 5 June 2018

Print name: Julie Foster

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	
<p><i>Add</i> the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
<i>Subtract</i> the number of fully paid +ordinary securities cancelled during that 12 month period	
“A”	

+ See chapter 19 for defined terms.

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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	
<p>Total [“A” x 0.15] – “C”</p>	<p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
<p>“A”</p> <p><i>Note: number must be same as shown in Step 1 of Part 1</i></p>	
Step 2: Calculate 10% of “A”	
<p>“D”</p>	<p>0.10</p> <p><i>Note: this value cannot be changed</i></p>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
<p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A</p> <p><i>Notes:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
<p>“E”</p>	

+ See chapter 19 for defined terms.

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Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.10] – “E”	 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.