



Australis Oil & Gas Limited

ACN 609 262 937

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Thursday, 24 May 2018

Time of Meeting

12.00 noon (AWST)

Place of Meeting

BDO Building, Ground Floor, 38 Station Street, Subiaco, Western Australia

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Australis Oil & Gas Limited

ACN 609 262 937

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Australis Oil & Gas Limited ACN 609 262 937 (Company) will be held at BDO Building, Ground Floor, 38 Station Street, Subiaco, Western Australia on Thursday, 24 May 2018 at 12 noon (AWST) for the purpose of transacting the business referred to in this Notice of Annual General Meeting.

AGENDA

Financial Reports

To receive and consider the financial report of the Company for the year ended 31 December 2017, together with the Directors' Report and the Auditor's Report.

1 Resolution 1 – Non-Binding Resolution to adopt Remuneration Report

To consider and, if thought fit, pass the following resolution as a **non-binding resolution**:

“That the Remuneration Report of the Company as set out in the Annual Report for the year ended 31 December 2017 be adopted.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

Voting exclusion statement: *The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or their Closely Related Parties. However, the Company need not disregard a vote if:*

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution or the proxy is the Chair of the Meeting and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel; and*
- (b) it is not cast on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or their Closely Related Parties.*

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 1 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 1; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1.

Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

2 Resolution 2 – Re-election of Graham Dowland as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, Graham Dowland, who retires in accordance with clause 6.1(f) of the Constitution and, being eligible for re-election, be re-elected as a Director.”

3 Resolution 3 – Re-election of Alan Watson as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, Alan Watson, who retires in accordance with clause 6.1(f) of the Constitution and, being eligible for re-election, be re-elected as a Director.”

4 Resolution 4 – Ratification of issue of Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the 29 March 2018 allotment and issue of 115,280,000 Shares at an issue price of A\$0.34 per Share to sophisticated and institutional investors on the terms and conditions as set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of Resolution 4 by any person who participated in the issue the subject of Resolution 4 or any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

5 Resolution 5 – Grant of Performance Rights to Ian Lusted, Managing Director, or his nominee(s), pursuant to the 2018 Award under the Company’s Employee Equity Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“For the purposes of section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 1,383,721 Performance Rights for no consideration, with each Performance Right having an exercise price of nil and an expiry date of no later than 31 January 2023 to Ian Lusted (or his nominee(s)) pursuant to the 2018 Award under the Company’s Employee Equity Incentive Plan and on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement: *The Company will disregard any votes in favour of Resolution 5 by or on behalf of Ian Lusted or his nominee(s) or any Associate of any of them.*

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- (b) the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Further, pursuant to section 224 of the Corporations Act, the Company will also disregard any votes cast on Resolution 5 (in any capacity) by or on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 5 and it is not cast on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 5 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 5; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 5.

Shareholders may also choose to direct the Chair to vote against Resolution 5 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

Please Note: *If the Chair is a person referred to in the section 224 Corporations Act voting exclusion statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed in writing and the Proxy Form specifies how the proxy is to vote on Resolution 5.*

6 Resolution 6 – Grant of Performance Rights to Graham Dowland, Finance Director, or his nominee(s) pursuant to the 2018 Award under the Company’s Employee Equity Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“For the purposes of section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 976,744 Performance Rights for no consideration, with each Performance Right having an exercise price of nil and expiry date of no later than 31 January 2023 to Graham Dowland (or his nominee(s) pursuant to the 2018 Award under the Company’s Employee Equity Incentive Plan and on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement: *The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of Graham Dowland or his nominee(s) or any Associate of any of them.*

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- (b) the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Further, pursuant to section 224 of the Corporations Act, the Company will also disregard any votes cast on Resolution 6 (in any capacity) by or on behalf a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 6 and it is not cast on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 6 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 6; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 6.

Shareholders may also choose to direct the Chair to vote against Resolution 6 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

Please Note: *If the Chair is a person referred to in the section 224 Corporations Act voting exclusion statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed in writing and the Proxy Form specifies how the proxy is to vote on Resolution 6.*

7 Resolution 7 – Ratification of grant of Options to Darren Wasylucha

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the grant on 18 December 2017 by the Company of the following Options to Darren Wasylucha:

- *500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.285, with an expiry date of 31 December 2022 and vested on 18 December 2017;*
- *500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.345, with an expiry date of 31 December 2022 and vesting on 18 December 2018, subject to the achievement of the Vesting Conditions;*
- *500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.40, with an expiry date of 31 December 2022 and vesting on 18 December 2019, subject to the achievement of the Vesting Conditions;*

on the terms and conditions set out in the Explanatory Memorandum, including Annexure A to the Explanatory Memorandum.”

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 7 by any person who participated in the issue the subject of Resolution 7 or any person who is an Associate of those persons.*

However, the Company need not disregard a vote if the vote is cast by:

- (a) *a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- (b) *the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 7 unless:

- (a) *the appointment specifies the way the proxy is to vote on Resolution 7; or*
 - (b) *the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*
- Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 7.*

Shareholders may also choose to direct the Chair to vote against Resolution 7 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

Please Note: *If the Chair is a person referred to in the section 224 Corporations Act voting exclusion statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed in writing and the Proxy Form specifies how the proxy is to vote on Resolution 7.*

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Memorandum.

By order of the Board

A handwritten signature in black ink, appearing to read 'Graham Dowland', with a long horizontal flourish extending to the right.

Graham Dowland
Finance Director
Dated: 20 April 2018

How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and their attendance recorded. To be effective a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms below.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.

- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their Proxy Forms with a direction how to vote, but who do not nominate the identity of their proxy, will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chair of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used, where possible, to support each of the Resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.
- To be effective, proxies must be received by 12.00pm (AWST) on Tuesday, 22 May 2018. Proxies received after this time will be invalid.
- Proxies may be lodged using any of the following methods:
 - by returning a completed Proxy Form in person or by post using the pre-addressed envelope provided with this Notice to:
Australis Oil & Gas Ltd
Level 29, Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000
Or
 - by email to contact@australisoil.com
Or
 - by faxing a completed Proxy Form to +61 (0) 8 92208799

The Proxy Form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the Power of Attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 12.00pm (AWST) on Tuesday, 22 May 2018. If facsimile transmission is used, the Power of Attorney must be certified.

Shareholders who are entitled to vote

In accordance with paragraphs 7.11.37 and 7.11.38 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5pm (AWST time) on Tuesday, 22 May 2018.

Australis Oil & Gas Limited

ACN 609 262 937

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

FINANCIAL REPORTS

The first item of the Notice deals with the presentation of the consolidated annual financial report of the Company for the year ended 31 December 2017, together with the Directors' Report in relation to that period and the Auditor's Report on the financial report, which are available on the Company's website (www.australisoil.com). Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the management of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor or the Auditor's representative questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the independent audit report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chair will also allow a reasonable opportunity for the Auditor or their representative to answer any written questions submitted to the Auditor under section 250PA of the Corporations Act.

RESOLUTION 1 - NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires the Company to put to its Shareholders a resolution that the Remuneration Report as disclosed in the Company's 2017 Annual Report be adopted. The Remuneration Report is set out in the Company's 2017 Annual Report and is also available on the Company's website (www.australisoil.com.au).

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at this Annual General Meeting, and then again at the 2019 annual general meeting, the Company will be required to put a resolution to the 2019 annual general meeting (**Spill Resolution**), to approve calling a general meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must then convene a Spill Meeting within 90 days of the 2019 annual general meeting. All of the Directors who were in office when the applicable Directors' declaration was approved, other than the Managing Director, will need to stand for re-election at the Spill Meeting if they wish to continue as Directors.

The Company has not previously received a vote of more than 25% against the adoption of its remuneration report. Accordingly, if at least 25% of the votes cast on Resolution 1 are **against** adoption of the Remuneration Report it will not result in the Company putting a Spill Resolution to Shareholders.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any equity based compensation.

Shareholders will be given reasonable opportunity at the Meeting to ask questions, or make comments on, the Remuneration Report.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this Resolution.

RESOLUTION 2 – RE-ELECTION OF GRAHAM DOWLAND AS A DIRECTOR

Pursuant to Clause 6.1(f) of the Constitution, Graham Dowland, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Graham Dowland is one of the founding Directors of Australis and is the Finance Director and Chief Financial Officer.

Graham Dowland was appointed Director and Chief Financial Officer of Australis on 12 November 2015. Previously Graham Dowland was a founding director of Aurora. Graham Dowland held the position of Finance Director of Aurora from November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd in June 2014. He has over 25 years corporate finance and management experience in the oil and gas industry having previously held director or senior management or advisory positions in Australian, Canadian and UK-listed companies with oil & gas operations in the UK, Russia, Azerbaijan, Indonesia, Australia and New Zealand. Graham Dowland is a qualified Chartered Accountant.

Graham Dowland does not currently hold any other listed company directorships.

The Directors (other than Graham Dowland) recommend that Shareholders vote in favour of the re-election of Graham Dowland.

RESOLUTION 3 – RE-ELECTION OF ALAN WATSON AS A DIRECTOR

Pursuant to Clause 6.1(f) of the Constitution, Alan Watson, being a Director, retires by way of rotation and being eligible, offers himself for re-election as a Director.

Alan Watson is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.

Alan Watson was appointed as an independent Non-Executive Director of Australis on 24 May 2016. Alan Watson was formerly an independent, non-executive director of Aurora from November 2010 until the acquisition of Aurora by Baytex Energy Australia Pty Ltd in June 2014. Alan Watson is Sydney-based and during his executive career was an investment banker with 35 years of experience within various global equity markets. Over this period he has established, directed and been responsible for the conduct of securities businesses both in Europe and Asia advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies. Alan Watson has held positions at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd. Alan Watson is currently independent Chairman of ASX listed funds management company Pinnacle Investment Management Group Limited an Australian listed public entity.

The Directors (other than Alan Watson) recommend that Shareholders vote in favour of the re-election of Alan Watson.

RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES

Background

On 22 March 2018, the Company announced that it was undertaking a capital raising to raise up to approximately A\$39.2 million before the costs of issue (**Capital Raising**). The capital Raising consisted of 115,280,000 Shares at an issue price of A\$0.34 per Share to institutional and sophisticated investors without Shareholder approval under the Company's 15% placement capacity under Listing Rule 7.1 (**Placement**). The Placement was completed on 29 March 2018.

The Capital Raising was strongly supported by existing shareholders and new investors and was not underwritten.

The net proceeds from the Capital Raising will be used to fund the commencement of drilling in the TMS planned for the second half of 2018.

Euroz Securities Limited acted as Lead Manager and Bookrunner to the Placement. Royal Bank of Canada and Arctic Securities AS were Co-Managers to the Offer.

ASX Listing Rules Chapter 7

Listing Rule 7.1 provides, subject to certain exceptions, that a company may issue securities up to 15% of its issued capital in a 12 month period without shareholder approval. Shareholder approval is required if the issue of securities would cause the company to breach the 15% limit.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold rule pursuant to Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

115,280,000 Shares were issued without Shareholder approval under the Company's existing 15% capacity under Listing Rule 7.1 on 29 March 2018 to institutional and sophisticated investors.

Resolution 1 seeks ratification under Listing Rule 7.4 of the issue of 115,280,000 Shares under the Placement in order to restore the ability of the Company to issue further Shares within the 15% limit during the next 12 months.

Listing Rule 7.5 requires the following information to be provided to Shareholders:

- 115,280,000 Shares were allotted and issued on 29 March 2018 pursuant to the Placement at an issue price of A\$0.34 per Share to sophisticated and institutional investor clients of Euroz Securities, Royal Bank of Canada and Arctic Securities AS none of whom are related parties of the Company.
- Shares issued pursuant to the Placement are fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as, and ranking equally with, the Company's existing Shares.
- Funds raised under the Placement will be used for the commencement of drilling in the TMS which is anticipated to be the second half of 2018.
- A voting exclusion statement is set out at the end of Resolution 4 in the Notice of Meeting

The Directors recommend that Shareholders of the Company vote in favour of Resolution 4.

RESOLUTION 5 and 6 - GRANT OF PERFORMANCE RIGHTS TO IAN LUSTED AND GRAHAM DOWLAND PURSUANT TO THE 2018 AWARD UNDER THE EMPLOYEE EQUITY INCENTIVE PLAN

The Australis Oil & Gas Limited Employee Equity Incentive Plan (**LTIP**) was approved at the General Meeting of Shareholders held on 27 June 2016, Shareholder approval of the LTIP was granted for the purposes of ASX Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1, which requires shareholder approval for the issue of securities in excess of 15% of its issued share capital in a 12 month period, does not apply to an issue of securities under an employee incentive scheme that has been approved by Shareholders within three years of the date of issue.

2018 Award

The Company proposes to grant Performance Rights to eligible employees, (including Ian Lusted and Graham Dowland (the **Participating Directors**) or their nominees, immediately following the 2018 Annual General Meeting pursuant to the 2018 Award under the LTIP. Approximately 8 million Performance Rights will be granted to eligible employees, excluding the non-executive directors, under Listing Rule 7.2 Exception 9(b). The number of Performance Rights proposed to be granted is based on the terms of the 2018 Remuneration Plan approved by the board on 30 November 2017. At that time the Board determined the 2018 Award methodology which included: the award being a percentage of base salary converted to Performance Rights using the Australis share trading VWAP for the month of December of 2017 and such Performance Rights to vest over three years subject to continuous employment during each Vesting Period and various performance hurdles as described herein.

Shareholder approval is now sought for the grant of the following Performance Rights to the Participating Directors based on the 2018 Award:

Participating Director	Number of 2018 Award Performance Rights
Ian Lusted (or his nominee)	1,383,721
Graham Dowland (or his nominee)	976,744
Total	2,360,465

Listing Rule 10.14 requires that the grant of securities to a director (or an associate of a director) under an employee incentive scheme be approved by shareholders.

Chapter 2E of the Corporations Act prohibits a company from giving a financial benefit to a related party of the company unless shareholder approval has been obtained.

Resolutions 5 and 6 seek Shareholder approval for the grant of a total of 2,360,465 Performance Rights pursuant to the 2018 Award to the Participating Directors or their nominee(s) pursuant to Listing Rule 10.14 and Chapter 2E of the Corporations Act. Further information in relation to Listing Rule 10.14 and Chapter 2E of the Corporations Act is set out below.

The primary objectives of the proposed grant include to:

- support the strategic objectives of the Company;
- align the interests of the executives with the interests of the Shareholders;
- encourage the executives to focus on medium and long term Company growth; and
- motivate the executives to outperform.

The proposed grant of Performance Rights to the Participating Directors or their nominees in respect of the 2018 Award will, subject to the satisfaction of certain vesting conditions and performance hurdles (described below) vest in 3 tranches over a 3 year period as follows:

Tranche	Test Period	Vesting Date	Number of Performance Rights Vesting
Tranche 1	1 January 2018 to 31 December 2018	1 to 31 January 2019	Up to 1/7 th of total Performance Rights awarded
Tranche 2	1 January 2018 to 31 December 2019	1 to 31 January 2020	Up to 2/7 th of the total Performance Rights awarded
Tranche 3	1 January 2018 to 31 December 2020	1 to 31 January 2021	Up to 4/7 th of the total Performance Rights awarded

Service-based vesting condition

25% of the relevant tranche of a 2018 award will vest on the relevant Vesting Date subject to the Participating Directors remaining in the employment of the Company throughout the period from 1 January 2017 through to the Vesting Date for each relevant tranche (Vesting Period).

Performance hurdles

Absolute TSR Performance Target – Up to 37.5% of the relevant tranche of a 2018 award will vest on the relevant Vesting Date subject to the Participating Director remaining in the employment of the Company throughout the relevant Test Period and in accordance with the following vesting schedule dependent on the Company's absolute TSR performance measure, being the increase in the Company's volume weighted average share price (**VWAP**) for December 2017, of A\$0.215, to the VWAP of the Company for the month of December prior to the Vesting Date or the relevant tranche.

ATS TSR increase compared to Dec 2017 VWAP of A\$0.215	<10%	10% to <15%	15% to <20%	20% to <25%	25% to <30%	30% to <40%	40% +
Testing Period	% of Absolute TSR tested tranche that vests						
VWAP Dec 2018	0%	25%	37.5%	50%	75%	100%	100%
VWAP Dec 2019	0%	10%	25%	37.5%	50%	75%	100%
VWAP Dec 2020	0%	0%	0%	25%	37.5%	50%	100%

Relative TSR Performance Target – Up to 37.5% of the relevant tranche of a 2018 award will vest on the relevant Vesting Date subject to the Participating Director remaining in the employment of the Company throughout the relevant Test Period and in accordance with the following vesting schedule dependent on the Company's relative TSR performance (being the comparison of the Company's VWAP for the month of December prior to the Vesting Date to that of the Company's VWAP for the month of December 2017 of A\$0.215) with the TSR performance of a selected peer group of ASX listed companies (as set out below) for the relevant Test Period. Each peer company's TSR is calculated by comparing its VWAP for the month of December in the most recent period prior to the Vesting Date for the relevant tranche with its December 2017 VWAP. The ranking of the Company's TSR performance within the peer group will determine the achieved percentage of the relevant tranche of the 2018 Award that will vest on a particular Vesting Date, as set out below.

ATS Ranking	1	2	3	4	5	6	7	8
Relative TSR vesting %	100%	87.5%	75%	62.5%	50%	37.5%	25%	12.5%

The 2018 Award incorporates a retest facility whereby any Performance Rights that do not vest on the Tranche 1 and/or Tranche 2 Vesting Dates pursuant to the Absolute and/or Relative TSR performance targets will be retested at the Tranche 3 Vesting Date in accordance with the Tranche 3 performance targets.

Peer Group for 2018 Award

The Peer Group for the 2018 Award is made up of the largest 16 ASX listed oil and gas exploration and production companies with a market capitalisation of between A\$100 million and A\$600 million as at 31 December 2017 and is set out below:

AWE Limited
 Buru Energy Ltd
 Blue Energy Ltd
 Byron Energy Ltd
 Carnarvon Petroleum Ltd
 Comet Ridge Ltd
 Cooper Energy Ltd
 FAR Ltd
 Global Energy Ventures Ltd
 Freedom Oil & Gas Ltd
 Horizon Oil Ltd
 Karoon Gas Australia Ltd
 Liquefied Natural Gas Ltd
 Senex Energy Ltd
 Sino Gas & Energy Holding Ltd
 88 Energy Ltd

The Peer Group for the 2018 Award has been approved by the Remuneration and Nomination Committee.

RELATED PARTY TRANSACTIONS

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
- shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, the Participating Directors are considered to be related parties of the Company because they are Directors.

Resolutions 5 and 6 provide for the grant of securities under the LTIP to the Participating Directors which is a financial benefit that requires Shareholder approval for the purposes of section 208 of the Corporations Act.

Information Requirements

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed Resolutions would permit the financial benefit to be given:

Subject to Shareholder approval, the following number of Performance Rights under the LTIP will be granted to the following related parties (or their nominee(s)):

Participating Director	Proposed number of Performance Rights granted pursuant to the 2018 Award under the Employee Equity Incentive Plan			
	Tranche 1	Tranche 2	Tranche 3	Total
Ian Lusted (or his nominee(s))	197,674	395,349	790,698	1,383,721
Graham Dowland (or his nominee(s))	139,535	279,070	558,139	976,744
Total	337,209	674,419	1,348,837	2,360,465

The nature of the financial benefit

The proposed financial benefit to be given is the grant of Performance Rights under the LTIP for no consideration to the Participating Directors or their nominees as noted above. The terms and conditions of the Performance Rights to the Participating Directors or their nominees are set out above and in the LTIP Rules, which are available on the Company's website at www.australisoil.com. If, however, there is any inconsistency between the terms of the Performance Rights as set out in this Explanatory Memorandum and the LTIP, the terms set out in this Explanatory Memorandum prevail to the extent of the inconsistency.

Directors' recommendation

Jonathan Stewart, Alan Watson and Steve Scudamore (who have no interest in the outcome of Resolutions 5 and 6) recommend that Shareholders vote in favour of Resolutions 5 and 6.

Ian Lusted recommends that Shareholders vote in favour of Resolution 6. Ian Lusted declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of this Resolution as it relates to the proposed grant of Performance Rights to him individually (or his nominee(s)).

Graham Dowland recommends that Shareholders vote in favour of Resolution 5. Graham Dowland declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of this Resolution as it relates to the proposed grant of Performance Rights to him individually (or his nominee(s)).

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.

- Proposed Resolutions 5 and 6 would have the effect of giving power to the Directors to grant a total of 2,360,465 Performance Rights on the terms and conditions as otherwise mentioned above.
- The Performance Rights will not be quoted on ASX.
- The Company presently has 831,898,272 quoted Shares on issue (61,971,203 subject to escrow conditions) and the following unquoted Options and Performance Rights:

Grant Date	Type	Number	Exercise Price	Expiry Date
Options				
13-Nov-15	\$0.25 Options	19,675,000	A\$0.25	31-Dec-20
13-Nov-15	\$0.30 (Series A) Options	27,775,000	A\$0.30	31-Dec-20
28-Apr-16	\$0.30 (Series B) Options	1,000,000	A\$0.30	31-Dec-20
13-Nov-15	\$0.35 (Series A) Options	27,600,000	A\$0.35	31-Dec-22
13-Nov-15	\$0.35 (Series B) Options	1,600,000	A\$0.35	31-Dec-22
28-Apr-16	\$0.35 (Series C) Options	1,000,000	A\$0.35	31-Dec-22
28-Apr-16	\$0.35 (Series D) Options	1,000,000	A\$0.35	31-Dec-22
16-May-16	\$0.275 (Series A) Options	22,840,933	A\$0.275	30-Jun-19
24-May-16	\$0.275 (Series B, C and D) Options	420,000	A\$0.275	24-May-21
10-Apr-2017	\$0.3125 (Series A, B and C) Options	420,000	A\$0.3125	30-Nov-21
18-Dec-2017	\$0.285 (A) Options	500,000	A\$0.285	31-Dec-22
18-Dec-2017	\$0.345 (B) Options	500,000	A\$0.345	31-Dec-22
18-Dec-2017	\$0.400 (C) Options	500,000	A\$0.400	31-Dec-22
		104,830,933		
Performance Rights				
15-Jun-17	2017 Award-Tranche 1	398,046	Nil	31-Jan-20
15-Jun-17	2017 Award-Tranche 2	796,094	Nil	31-Jan-21
15-Jun-17	2017 Award-Tranche 3	1,592,185	Nil	31-Jan-22
		2,786,325		

- If all Performance Rights subject to Resolution 5 and 6 are exercised, and assuming the existing Performance Rights and unquoted Options on issue are not exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 0.26%.

- Valuation of Performance Rights

The Performance Rights to be issued to the Participating Directors or their nominees pursuant to Resolutions 5 and 6 have been independently valued by RSM Australia Pty Ltd (**RSM**). A summary of the assumptions and methodology used by RSM in valuing the Performance Rights is set out below.

The valuation has been calculated in Australian dollars.

Valuation date	4 April 2018		
Award type	2018 Performance Rights		
Tranche	1	2	3
Vesting Date	1 January 2019	1 January 2020	1 January 2021
Share Price at valuation date	A\$0.39	A\$0.39	A\$0.39
Exercise Price	Nil	Nil	Nil
Performance Period	1 Year	2 Years	3 Years
Volatility	55%	55%	55%
Risk free interest rate	2.03%	2.03%	2.12%
Dividend yield	Nil	Nil	Nil

The volatility assumption in the calculation is representative of the level of uncertainty expected in the movement of the Company's Share price over the life of the 2018 Award. The following factors have been assessed in determining the expected volatility of the Company:

- Historical volatility of the market price of the Company's Shares from first date of trading on 16 July 2016 to the valuation date
- The mean revision tendency of volatilities.

After consideration of these sources of information, the assumption for the volatility for Australis is 55%

The implied zero coupon yield from two and three year Commonwealth bonds of 2.03% has been used as the risk free rate in the pricing model as these periods most closely correspond to the life of the Performance Rights

The valuation assumes that the Performance Rights will be exercised immediately on vesting.

Based on historical dividends and broker forecasts a dividend yield of 0.0% has been assumed.

The valuation date is 4 April 2018 however the Performance Rights will not be granted until Shareholder approval is obtained at this Meeting.

The valuations reflected below do not necessarily represent the market value of the Performance Rights or the value for taxation purposes to the Performance Right holder. The future value of the Performance Rights may differ from the values noted below as it will primarily depend on the future Share price at the date of exercise of the Performance Rights.

Any change in the variables applied in the Monte Carlo calculation between the date of valuation and the date the Performance Rights are granted would have an impact on their value.

Methodology

The choice of valuation methodology is determined by the structure of the LTIP awards, particularly the vesting conditions. The table below shows the valuation methodology used for each 2018 Award:

Valuation date	Award type	Vesting condition	Valuation methodology
4 April 2018	Performance rights	Service condition	Analytic approach
4 April 2018	Performance rights	Service condition and Absolute TSR Hurdle	Monte Carlo simulation
4 April 2018	Performance rights	Service condition and Relative TSR Hurdle	Monte-Carlo simulation

The analytical approach is used where only a service condition exists. The analytical approach describes the approach adopted where it is possible to derive a formula which determines the price for some option or rights structures. The method used to value the service condition Performance Rights was the Hoadley's "Options 1" valuation model as no market vesting conditions apply.

To value the rights subject to Absolute and Relative TSR conditions in addition to service conditions, the Monte-Carlo simulation valuation technique has been used. The Monte-Carlo simulation is a highly flexible valuation technique which can cope with a variety of award structures, in particular it is often used when the share-based payment depends on more than one asset's return (relative return hurdles). A valuation using this approach requires the use of many individual simulations, each simulation entails the following steps:

1. Simulate the share price of the company, and the companies in the peer group, as at a performance test date. The share prices are simulated such that they are consistent with the assumed distribution of, and correlation between, share price outcomes.
2. Determine whether any awards vest at the current test date, based on the simulated share price.
3. For any vesting awards calculate the value using the simulated share price. This valuation uses either an analytic or binomial tree methodology.
4. Calculate the present value of the award as at the valuation date.

The results of many simulations are aggregated to determine the total fair value of the 2018 Award.

The Monte-Carlo simulation model "*Hybrid ESO Model – Multiple Share Price Targets*" developed by Hoadley Trading & Investment Tools was used to value the Absolute TSR Performance Rights.

Hoadley's "*Hybrid ESO Model-Relative TSR vs Peer Group*" model was used to value the Relative TSR Performance Rights.

Based on the above assumptions and methodology set out above, RSM has calculated an indicative value of the Performance Rights to be granted to the Participating Directors (or their nominees) to be as follows:

	Maximum Number of Performance Rights- 2018 Award		Valuation per Performance Right (A\$)
	Ian Lusted	Graham Dowland	
Tranche 1 – Service condition	49,418	34,883	0.39
Tranche 1 – Absolute TSR Hurdle	74,128	52,326	0.339
Tranche 1 – Relative TSR Hurdle	74,128	52,326	0.243
Tranche 2 – Service condition	98,837	69,766	0.39
Tranche 2 – Absolute TSR Hurdle	148,256	104,652	0.319
Tranche 2 – Relative TSR Hurdle	148,256	104,652	0.274
Tranche 3 – Service condition	197,674	139,535	0.39
Tranche 3 – Absolute TSR Hurdle	296,512	209,302	0.315
Tranche 3 – Relative TSR Hurdle	296,512	209,302	0.295
Total	1,383,721	976,744	

	Ian Lusted (A\$)	Graham Dowland (A\$)	Total (A\$)
Tranche 1	62,416	44,058	106,474
Tranche 2	126,462	89,267	215,729
Tranche 3	257,965	182,093	440,058
Total	446,843	315,418	762,261

Accordingly, the total value of the Performance Rights to be granted to the Participating Directors (or their nominees) is \$762,261.

Details of the Participating Directors' base salaries or fees per annum (including superannuation), as applicable, and the total financial benefits to be received by them in this current period as a result of the grant of the Performance Rights the subject of Resolutions 5 and 6 are as follows:

Director	Base salary for year ended 31 December 2018 (A\$)	Value of Performance Rights (A\$)	Total Financial Benefit (A\$)
Ian Lusted	465,375	446,843	912,218
Graham Dowland	383,250	315,418	630,836

Set out below are details of the Participating Directors' relevant interests in the securities of the Company as at the date of this Notice of Meeting:

Director	Shares	Options	Performance Rights
Ian Lusted	14,518,572	16,250,000	-
Graham Dowland	14,750,000	13,500,000	-

The following table sets out the highest, lowest and latest Share price of the Company over the past 12 months ending on 5 April 2018.

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 5 April 2018	December 2017 VWAP
Ordinary shares	A\$0.41	12-Mar-18	A\$0.18	25-Sep-17, 1-Sep-17, and 14-Aug-17	A\$0.38	A\$0.215

Other Information

Under the Australian equivalent of International Financial Reporting Standards, the Company is required to expense the value of the Performance Rights in its Statement of Comprehensive Income over the Vesting Periods. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Performance Rights pursuant to Resolutions 5 and 6.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolutions.

Listing Rule 10.14 and Listing Rule 10.15

ASX Listing Rule 10.14 requires that a listed company obtain shareholder approval by Ordinary Resolution prior to the issue of equity securities to a related party (including a Director or a nominee of the Director) under the LTIP.

For the purpose of ASX Listing Rule 10.15 the following further information is provided in relation to Resolutions 5 and 6.

- The Performance Rights will be issued to the Participating Directors (or their nominee(s)) as noted above.
- The maximum number of Performance Rights that may be granted to the Participating Directors (or their nominees) is 2,360,465 being 1,383,721 Performance Rights granted to Ian Lusted (or his nominee(s)) and 976,744 Performance Rights granted to Graham Dowland (or his nominee(s)).
- The Performance Rights will be granted for no consideration.
- No consideration is payable for the exercise of the Performance Rights into Shares.
- All Directors, or their permitted nominees are entitled to participate in the LTIP, but for the purposes of Resolutions 5 and 6, at this time, the Company is only seeking to grant Performance Rights to the Participating Directors or their nominees. The persons referred to in Listing Rule 10.14 who are entitled to participate in the LTIP are Jon Stewart, Ian Lusted, Graham Dowland, Alan Watson and Steve Scudamore.
- No Directors or their permitted nominees have received any awards under the LTIP.
- Since approval of the LTIP on 27 June 2016, a total of 2,786,325 Performance Rights have been granted to employees under the LTIP. No Performance Rights have been granted to any related party (including a Director or a nominee of the Director) subject to Shareholder approval at this Meeting.
- A voting exclusion statement is set out at the end of Resolutions 5 and 6 in the Notice of Meeting.
- No loan is provided in connection with the acquisition or conversion of the Performance Rights.
- The Performance Rights will be issued on a date that is no later than 12 months after the date Shareholder approval is obtained for Resolutions 5 and 6.

If approval is given for the grant of the Performance Rights under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

RESOLUTION 7 – RATIFICATION OF GRANT OF OPTIONS TO DARREN WASYLUCHA

As previously announced by the Company, Darren Wasylucha was appointed Chief Corporate Officer of the Company on 18 December 2017.

Darren Wasylucha is an experienced legal and commercial executive and filled a similar role at Aurora Oil and Gas Limited from 2011 to 2014. Due to the recent growth of the Company and the proposed commencement of drilling in the TMS in the second half of 2018, the Board considered that Darren Wasylucha's appointment would complement the capabilities of the existing senior management team in North America. The Board believes that the appointment of highly skilled executives is essential for the ongoing development and success of the Company.

Commensurate with his appointment, Darren Wasylucha was granted incentive Options for nil cash consideration in connection with his role. The grant of options to attract and retain skilled, experienced executives is common practice in North America. The Directors believe that the grant of Options to Darren Wasylucha (or his nominee) encourages alignment of Mr Wasylucha's interests with that of shareholders.

On 18 December 2017, the Company issued the following Options to Darren Wasylucha:

- a) 500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.285, with an expiry date of 31 December 2022 which vested on commencement of employment being 18 December 2017;
- b) 500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.345, with an expiry date of 31 December 2022 and vesting on 18 December 2018, subject to the achievement of the Vesting Conditions;
- c) 500,000 Options for no consideration, each exercisable into one Share and having an exercise price of \$0.40, with an expiry date of 31 December 2022 and vesting on 18 December 2019, subject to the achievement of the Vesting Conditions.

The Terms of the Options are set out in Annexure A.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold rule pursuant to Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 7 seeks ratification under Listing Rule 7.4 of the grant of Options on 18 December 2017 to Darren Wasylucha as set out above in order to restore the ability of the Company to issue further Options within the 15% limit during the next 12 months.

Listing Rule 7.5 requires the following information to be provided to Shareholders:

- An aggregate of 1,500,000 Options were granted on 18 December 2017 to Darren Wasylucha as set out above.
- The Options were granted for nil consideration.
- The Options were granted on the terms and conditions set out in this Explanatory Memorandum, including Annexure A to this Explanatory Memorandum.
- The Options were granted to an unrelated party of the Company.
- No funds were raised from this grant of Options.
- A voting exclusion statement is included in Resolution 7 of the Notice.

Additional Information

Note that a voting exclusion applies to Resolutions 1 and 4-7 in the terms set out in the Notice. Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

Additional information relating to the Company is available (i) under the Company's profile on the ASX website at www.asx.com.au, and (ii) on the Company's website at www.australisoil.com.

The Companies annual financial statements for the period ended 31 December 2017, along with the Company's interim financial statements as at 30 June 2017 can be found on the Company's website at www.australisoil.com and will be provided free of charge to Shareholders upon written request to the Company's Secretary at its registered office located at Level 29, Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000, Australia, telephone number +618 9220 8700.

For a complete description of the remuneration policies and practices of the Company, please refer to the Company's Remuneration Report contained within the Company's 2017 Annual Report, available under the Company's profile on the ASX website at www.asx.com.au and on the Company's website at www.australisoil.com.

GLOSSARY

A\$ means Australian dollars.

US\$ means US dollars

Accounting Standards has the meaning given to that term in the Corporations Act.

Annual Report means the annual report of the Company for the year ended 31 December 2017.

ASIC means the Australian Securities and Investments Commission

Associate has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the "designated body" for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Auditor means the Company's auditor (if any).

Auditor's Report means the report of the Auditor contained in the Annual Report for the year ended 31 December 2017.

Australis means the Company.

AWST means western standard time as recognised in Perth, Western Australia.

Board means the Directors.

Capital Raising has the meaning set out on page 12.

Chair or Chairman means the individual appointed under clause 6.11(a) of the Constitution to chair any meeting of the Company from time to time.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company means Australis Oil & Gas Limited ACN 609 262 937.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Corporations Regulations means *Corporations Regulations 2001* (Cth).

Directors means the directors of the Company.

Employee Equity Incentive Plan means the LTIP.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

Group means the Company and its Related Bodies Corporate (as such term is defined in Section 9 of the Corporations Act).

Key Management Personnel has the meaning given to that term in the Accounting Standards.

Listing Rules means the listing rules of the ASX.

LTIP means the Australis Oil & Gas Limited Employee Equity Incentive Plan as approved by Shareholders on 27 June 2016.

Meeting means the Annual General Meeting convened by the Notice.

Notice means this Notice of Annual General Meeting.

Notice of Meeting means this Notice of Annual General Meeting.

Optionholder means a holder of an Option.

Option means an unlisted option to acquire a Share, as the context provides.

Ordinary Resolutions means resolutions that require the approval of a simple majority of votes cast

Participating Directors has the meaning set out on page 13

Performance Right means a right to acquire a Share on the terms set out in the LTIP.

Placement has the meaning set out on page 12.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Annual Report for the year ended 31 December 2017.

Resolution means a resolution contained in the Notice.

Restricted Voter means Key Management Personnel and their Closely Related Parties as at the date of the Meeting.

RSM means RSM Australia Pty Ltd

Shareholder means a member of the Company from time to time.

Shares means fully paid ordinary shares in the capital of the Company.

Spill Meeting has the meaning set out on page 10.

Spill Resolution has the meaning set out on page 10.

Vesting Conditions means the vesting conditions relating to the Options granted on 18 December 2017 to Darren Wasylucha, as set out in the Explanatory Memorandum

Vesting Date means the vesting date for either Tranche 1, 2 or 3 of the Performance Rights to be granted pursuant to the 2018 Award.

Vesting Period means the period from 1 January 2017 through to the Vesting Date for either Tranche 1, 2 or 3

VWAP has the meaning set out on page 14.

2018 Award means the LTIP award for the grant of Performance Rights for 2018, which was approved by the Board on 30 November 2017.

28.50 Cent (Series A) Options – 500,000 options

- 1) Each Option entitles the holder to subscribe for and be issued one ordinary share in Australis Oil & Gas Limited (Australis or the Company) upon payment of the exercise price.
- 2) The exercise price is A\$0.285 per option.
- 3) The Options will expire at 5pm AWST on 31 December 2022 (**Option Expiry Date**). Options not exercised on or before the Expiry Date will lapse.
- 4) The Company will not apply to the Australian Stock Exchange Limited (ASX) for official quotation of the Options.
- 5) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Options except upon exercise of the Options.
- 6) If the Company makes a pro rata issue (except a bonus issue) the exercise price of the Options will be reduced in accordance with the ASX Listing Rules.
- 7) If the Company makes a bonus issue the number of securities over which the Options are exercisable will be increased in accordance with the ASX Listing Rules.
- 8) Optionholders have the right to exercise any of their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company, made during the term of the Options.
- 9) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of issued capital of the Company, the Options will be re-organised as required by the ASX Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- 10) The Options shall be exercisable in accordance with these terms at any time on or before the Option Expiry Date by the delivery to the registered office of the Company of a notice in writing stating the intention of the Optionholder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The notice and cheque must be received by the Company during the exercise period. An exercise of only some Options shall not affect the rights of the Optionholders to the balance of Options held by him or her.
- 11) The ordinary Shares allotted shall rank, from date of allotment, equally with the existing ordinary Shares of the Company in all respects.
- 12) The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options.
- 13) The Company will apply for official quotation by ASX of the Shares issued upon exercise of the Options if the ordinary Shares of the Company are quoted at that time.
- 14) The Options are not transferable, unless:
 - i) the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, novation, encumbrance or disposal as the Board sees fit in its sole and absolute discretion; or
 - ii) such assignment or transfer occurs by force of law upon the death of a holder of an Option to the holder's legal personal representative.
- 15) The Options will be recorded on the Company's register of Optionholders maintained at the share registry. The register will be open for inspection by the Optionholders free of charge. Shares to be allotted on exercise of the Options will be recorded on the Company's share register.
- 16) In the event the Company applies for and is listed on ASX, if there is any inconsistency between any of the preceding terms and conditions and the ASX Listing Rules, then the ASX Listing Rules prevail to the extent of the inconsistency.
- 17) Notwithstanding any other terms and conditions, all options will vest and may be exercised:
 - i) During a Bid Period
 - ii) At any time after a Change in Control or Sale of Major Asset event has occurred
 - iii) On an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

In these terms and conditions:

“Bid Period” in relation to a takeover bid in respect to Shares in the Company, has meaning defined in section 9 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement.

“Change of Control” means a shareholder, or a group of associated shareholders

- i) Becoming entitled to sufficient Shares in the company to give it or them the ability, in general meeting, to replace all or a majority of the Board; or,
- ii) Gaining the ability to control more than 50% of the Voting Power (as defined in the Corporations Act) in the Company.

“Participant” means the Officer or Director of the Company who has nominated the Holder to be the legal registered owner of the Options.

“Sale of Major Asset” means the disposal of assets of the Company or its subsidiaries representing in excess of 50% of the consolidated net assets of the Company.

“Uncontrollable Event” means death, serious injury, disability or illness which renders a Participant incapable of continuing employment or position with a Group Company, forced early retirement, retrenchment or redundancy, or termination by the Company without cause, or such other circumstances which results in the Participant leaving the employment or position of a Group Company and which the Board determines is an Uncontrollable Event.

34.50 Cent (Series B) Options – 500,000 options

- 1) Each Option entitles the holder to subscribe for and be issued one ordinary share in Australis Oil & Gas Limited (Australis or the Company) upon payment of the exercise price.
- 2) The exercise price is A\$0.345 per option.
- 3) 500,000 options will vest on the 18 December 2018 (Vesting Date) subject to the participant remaining an Officer of the Company for the period commencing from date of grant to the Vesting Date.
- 4) If a Participant's employment or position as an Officer ceases because of an Uncontrollable Event:
 - i) all of the Option Holder's unvested options will vest and;
 - ii) the Option Holder may, at any time prior to the first to occur of:
 - i) the Expiry Date; and
 - ii) 12 months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Option Holder ceased that employment or position exercise all vested options.
- 5) The Options will expire at 5pm AWST on 31 December 2022 (Option Expiry Date). Options not exercised on or before the Expiry Date will lapse.
- 6) The Company will not apply to the Australian Stock Exchange Limited (ASX) for official quotation of the Options.
- 7) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Options except upon exercise of the Options.
- 8) If the Company makes a pro rata issue (except a bonus issue) the exercise price of the Options will be reduced in accordance with the ASX Listing Rules.
- 9) If the Company makes a bonus issue the number of securities over which the Options are exercisable will be increased in accordance with the ASX Listing Rules.
- 10) Optionholders have the right to exercise any of their Options that have become exercisable in accordance with 3) above, prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company, made during the term of the Options.
- 11) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of issued capital of the Company, the Options will be re-organised as required by the ASX Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- 12) The Options shall be exercisable in accordance with these terms at any time on or before the Option Expiry Date by the delivery to the registered office of the Company of a notice in writing stating the intention of the Optionholder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The notice and cheque must be received by the Company during the exercise period. An exercise of only some Options shall not affect the rights of the Optionholders to the balance of Options held by him or her.
- 13) The ordinary Shares allotted shall rank, from date of allotment, equally with the existing ordinary Shares of the Company in all respects.
- 14) The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options.
- 15) The Company will apply for official quotation by ASX of the Shares issued upon exercise of the Options if the ordinary Shares of the Company are quoted at that time.
- 16) The Options are not transferable, unless:
 - i) the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, novation, encumbrance or disposal as the Board sees fit in its sole and absolute discretion; or
 - ii) such assignment or transfer occurs by force of law upon the death of a holder of an Option to the holder's legal personal representative.

- 17) The Options will be recorded on the Company's register of Optionholders maintained at the share registry. The register will be open for inspection by the Optionholders free of charge. Shares to be allotted on exercise of the Options will be recorded on the Company's share register.
- 18) In the event the Company applies for and is listed on ASX, if there is any inconsistency between any of the preceding terms and conditions and the ASX Listing Rules, then the ASX Listing Rules prevail to the extent of the inconsistency.
- 19) Notwithstanding any other terms and conditions, all options will vest and may be exercised:
 - i) During a Bid Period
 - ii) At any time after a Change in Control or Sale of Major Asset event has occurred
 - iii) On an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

In these terms and conditions:

"Bid Period" in relation to a takeover bid in respect to Shares in the Company, has meaning defined in section 9 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement.

"Change of Control" means a shareholder, or a group of associated shareholders

- i) Becoming entitled to sufficient Shares in the company to give it or them the ability, in general meeting, to replace all or a majority of the Board; or,
- ii) Gaining the ability to control more than 50% of the Voting Power (as defined in the Corporations Act) in the Company.

"Participant" means the Officer or Director of the Company who has nominated the Holder to be the legal registered owner of the Options.

"Sale of Major Asset" means the disposal of assets of the Company or its subsidiaries representing in excess of 50% of the consolidated net assets of the Company.

"Uncontrollable Event" means death, serious injury, disability or illness which renders a Participant incapable of continuing employment or position with a Group Company, forced early retirement, retrenchment or redundancy, or termination by the Company without cause, or such other circumstances which results in the Participant leaving the employment or position of a Group Company and which the Board determines is an Uncontrollable Event.

40.00 Cent (Series C) Options – 500,000 options

- 1) Each Option entitles the holder to subscribe for and be issued one ordinary share in Australis Oil & Gas Limited (Australis or the Company) upon payment of the exercise price.
- 2) The exercise price is A\$0.40 per option.
- 3) 500,000 options will vest on the 18 December 2019 (Vesting Date) subject to the participant remaining an Officer of the Company for the period commencing from date of grant to the Vesting Date.
- 4) If a Participant's employment or position as an Officer ceases because of an Uncontrollable Event:
 - i) all of the Option Holder's unvested options will vest and;
 - ii) the Option Holder may, at any time prior to the first to occur of:
 - i) the Expiry Date; and
 - ii) 12 months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Option Holder ceased that employment or position exercise all vested options.
- 5) The Options will expire at 5pm AWST on 31 December 2022 (Option Expiry Date). Options not exercised on or before the Expiry Date will lapse.
- 6) The Company will not apply to the Australian Stock Exchange Limited (ASX) for official quotation of the Options.
- 7) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Options except upon exercise of the Options.
- 8) If the Company makes a pro rata issue (except a bonus issue) the exercise price of the Options will be reduced in accordance with the ASX Listing Rules.
- 9) If the Company makes a bonus issue the number of securities over which the Options are exercisable will be increased in accordance with the ASX Listing Rules.
- 10) Optionholders have the right to exercise any of their Options that have become exercisable in accordance with 3) above, prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company, made during the term of the Options.
- 11) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of issued capital of the Company, the Options will be re-organised as required by the ASX Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- 12) The Options shall be exercisable in accordance with these terms at any time on or before the Option Expiry Date by the delivery to the registered office of the Company of a notice in writing stating the intention of the Optionholder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The notice and cheque must be received by the Company during the exercise period. An exercise of only some Options shall not affect the rights of the Optionholders to the balance of Options held by him or her.
- 13) The ordinary Shares allotted shall rank, from date of allotment, equally with the existing ordinary Shares of the Company in all respects.
- 14) The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options.
- 15) The Company will apply for official quotation by ASX of the Shares issued upon exercise of the Options if the ordinary Shares of the Company are quoted at that time.
- 16) The Options are not transferable, unless:
 - i) the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, novation, encumbrance or disposal as the Board sees fit in its sole and absolute discretion; or
 - ii) such assignment or transfer occurs by force of law upon the death of a holder of an Option to the holder's legal personal representative.

- 17) The Options will be recorded on the Company's register of Optionholders maintained at the share registry. The register will be open for inspection by the Optionholders free of charge. Shares to be allotted on exercise of the Options will be recorded on the Company's share register.
- 18) In the event the Company applies for and is listed on ASX, if there is any inconsistency between any of the preceding terms and conditions and the ASX Listing Rules, then the ASX Listing Rules prevail to the extent of the inconsistency.
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 - i) During a Bid Period
 - ii) At any time after a Change in Control or Sale of Major Asset event has occurred
 - iii) On an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

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- ii) Gaining the ability to control more than 50% of the Voting Power (as defined in the Corporations Act) in the Company.

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PROXY FORM

AUSTRALIS OIL & GAS LIMITED

ACN 609 262 937

Appointment of Proxy

If appointing a proxy to attend the Annual General Meeting on your behalf, please complete the form and submit it in accordance with the directions on the reverse side of this page.

I/We _____ of _____, being a Shareholder/Shareholders of Australis Oil & Gas Limited, pursuant to my/our right to appoint not more than two proxies, appoint:

The Chair of the Meeting
(mark with an "X")

OR

Write here the name of the person you are appointing if this person is someone other than the Chair of the Meeting.

Write here the name of the person you are appointing as a second proxy (if any).

or failing him/her, (if no proxy is specified above), the Chair of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on Thursday 24 May 2018 at 12.00 noon (AWST) at the BDO Building, Ground Floor, 38 Station Street, Subiaco, Western Australia and at any adjournment of that Meeting.

This proxy is to be used in respect of _____% of the ordinary Shares I/we hold.

Voting directions to your Proxy

Important for Resolution 1 – If the Chair of the Meeting is your proxy or is appointed as your proxy by default

Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair of the Meeting to vote in accordance with the Chair's voting intentions on Resolution 1 (except where I/we have indicated a different voting intention) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chair of the Meeting.

The Chair of the Meeting intends to vote all available undirected proxies in favour of Resolutions 1 to 7 (inclusive).

RESOLUTION	For	Against	Abstain*
1. Non-Binding Resolution to adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Graham Dowland as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Alan Watson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Grant of Performance Rights to Ian Lusted, Managing Director, or his nominee(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Grant of Performance Rights to Graham Dowland, Finance Director, or his nominee(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ratification of grant of Options to Darren Wasylucha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

If executed by a company, executed in accordance with section 127 of the *Corporations Act 2001* (Cth):

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Date: _____ / _____ 2018

Contact Name

Contact Business Telephone/Mobile

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Completion of a Proxy Form will not prevent individual Shareholders from attending the Annual General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Annual General Meeting.
2. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.
3. A proxy need not be a Shareholder of the Company.
4. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.
5. Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.
6. If a representative of a company Shareholder is to attend the Meeting, a properly executed original (or certified copy) of evidence of appointment is required. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment to including any authority under which it is signed.
7. If a representative as power of attorney of a Shareholder is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms in paragraph 9 below.

8. **Signing Instructions**

You must sign this form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign.
- Joint Holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this Proxy Form must be signed by that person.
- If the company (pursuant to section 204A of the Corporations Act) does not have a Company Secretary, a Sole Director can also sign alone.
- Otherwise this Proxy Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

9. **Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 12.00 noon (AWST) on Tuesday 22 May 2018 (48 hours before the commencement of the Meeting). Any Proxy Form received after that time will not be valid for the scheduled meeting.

- Hand deliveries:** Level 29, 77 St Georges Terrace, Perth Western Australia
- Postal address:** GPO Box 2548, Perth, Western Australia 6831
- Email:** contact@australisoil.com
- Fax number:** +61 (0) 8 92208799