



Australis Oil & Gas Limited

ACN 609 262 937

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Monday 10 April 2017

Time of Meeting

11.00am (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 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 GENERAL MEETING

Notice is given that the 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 Monday 10 April 2017 at 11.00am (AWST) for the purpose of transacting the business referred to in this Notice of General Meeting.

AGENDA

1 Resolution 1 – Approval for the 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 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 434,782,609 Shares at an issue price of A\$0.23 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 on Resolution 1 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. 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) it 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.*

2 Resolution 2 – Issue of Options to a Director – Stephen Scudamore (or his nominee)

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

“That for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Company approves and authorises the Directors to grant and issue to Mr Stephen Scudamore (or his nominee):

-) 140,000 Series A Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125, with an expiry date of 30 November 2021 and vesting on 30 November 2017, subject to the achievement of the Vesting Conditions;*
-) 140,000 Series B Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125, with an expiry date of 30 November 2021 and vesting on 30 November 2018, subject to the achievement of the Vesting Conditions;*
-) 140,000 Series C Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125, with an expiry date of 30 November 2021 and vesting on 30 November 2019, subject to the achievement of the Vesting Conditions; and*

on the terms and conditions set out in the Explanatory Statement, including Annexures A, B and C, accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 2 by Mr Stephen Scudamore (or his nominee) and any Associate of those persons.

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) it 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, the Company will disregard any votes cast on this Resolution 2 (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 the resolution 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 2 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 2; 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 2.

Shareholders may also choose to direct the Chair to vote against Resolution 2 or to abstain from voting.

If you are a Restricted Voter and 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 2.

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



Graham Dowland

Finance Director

Dated: 10 March 2017

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. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolution 2 in accordance with a direction on how the proxy is to vote or, if the proxy is the Chair of the Meeting and the appointment 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.

- 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 11.00am (AWST) on Saturday 8 April 2017. Proxies received after this time will be invalid.
- Proxies may be lodged using any of the following methods:
 - Z 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
Suite 20, Level 2, 22 Railway Road,
Subiaco, Western Australia
Or
 - _ by email to jfoster@australisoil.com
Or
 - Z by faxing a completed Proxy Form to
+61 (0) 8 93802799

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 11.00am (AWST) on Monday 10 April 2017. 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 General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5pm (AWST time) on Sunday 9 April 2017.

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 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.

RESOLUTION 1 – APPROVAL FOR THE ISSUE OF SHARES

Background

On 28 February 2017, the Company announced that it had entered into a Purchase and Sale Agreement (**PSA**) with Encana Oil & Gas (USA) Inc. (**Encana**) a wholly owned subsidiary of Encana Corporation, to acquire all of Encana's Tuscaloosa Marine Shale (**TMS**) assets for cash consideration of US\$80 million, subject to closing adjustments. The terms below are defined in that announcement.

The TMS assets (**Assets**) include:

- Working interests in 31 operated and producing wells (29 net wells) and 16 non operated producing wells (1.6 net wells) with net oil production of 1,900 bbls/day as at the contract effective date of 1 November 2016.
- 62,000 net acres leased (35% HBP) within the production defined TMS Core area and within Permitted Drilling Units
- A further 60,000 acres within the TMS Core area outside of existing Permitted Drilling Units
- Considerable high quality technical data and knowledge transference by Encana

The TMS is located in the states of Mississippi and Louisiana in the United States and is depositionally similar to the Eagle Ford in Texas and is one of the few remaining undeveloped shale basins in the United States.

Following completion of the acquisition, Australis will hold the largest net acreage position in the oil rich TMS Core, operating in total over 100,000 net acres, some with existing oil production and cashflow. Independent engineers, Ryder Scott Company LP, place a pre tax NPV 10 value of US\$95 million for the Asset Proved Developed and Producing (**PDP**) oil reserves of 5.0 million bbls as at 1 February 2017 (the announcement dated 28 February 2017 – *US Shale Acquisition and A\$100 Million Placement* contains further disclosure on the Ryder Scott report). The net acreage position provides Australis with significant upside. Ryder Scott estimates 80.2 million bbls of 2C oil resources based on an 8% recovery. Australis calculates that there are 215 potential future net well locations using approximately 250 acre spacing between each well. The reserve estimates contained in this Notice are taken from the Australis announcement dated 28 February 2017 and titled "US Shale Acquisition and A\$100 Million Placement". The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.

The acquired acreage position is contiguous with Australis' existing 50% working interest in 38,000 acres within the TMS Core. This existing position was recently assessed by Ryder Scott with 26.4 million bbls 2C contingent resources. Based on these estimates Australis believes that there are 76 potential future net well locations using approximately 250 acre spacing between each well. The resource estimates contained in this Notice are taken from the Australis announcement dated 28 February 2017 and titled "US Shale Acquisition and A\$100 Million Placement". The Company is not aware of any new information or data that materially affects the information included in the referenced market announcement and that all material assumptions and technical parameters underpinning the estimates in the referenced market announcement continue to apply and have not materially changed.

The PSA required Australis to deposit an amount equal to 10% of the purchase price of the Assets, being US\$8 million, with an escrow agent (**Deposit**), to be applied towards the final purchase price at completion which is expected to occur on or around 14 April 2017. The final purchase price will be subject to adjustments including to reflect the period between the effective date of 1 November 2016 and the completion date. The principle adjustments will be net field revenue earned by Australis for the approximate 5.5 month period less any capital expenditure relating to lease extension payments and field overheads during this period. The acquisition is subject to various standard transaction conditions, including the payment of the remaining purchase price at completion.

Australis further advised in the announcement on 28 February 2017 that it had received commitments from institutional and sophisticated investors for a conditional share placement of 434,782,609 ordinary fully paid shares to raise A\$100 million at a fixed price of A\$0.23 per new Australis share, representing an 8% discount to the last close price on 22 February 2017. The issue is not underwritten. The raising was strongly supported by existing shareholders and new investors.

The proceeds from the proposed issue of shares in Resolution 1, together with existing cash on hand will be used to fund the balance of the purchase price following the satisfaction or waiver of the other conditions precedent prior to completion. If Encana do not close the transaction and all other conditions are met, then Australis will be paid a break fee of US\$8 million in addition receiving the return of the deposit from escrow.

If Shareholders do not approve Resolution 1, then Australis will not be able to pay the balance of the purchase price at completion and will forfeit the Deposit paid. The Board and senior management of Australis directly and indirectly hold in aggregate 28.8% of the existing Share capital and have signed irrevocable letters of intention to vote in favour of Resolution 1 – see below.

The sole lead manager and book runner to the capital raising was Euroz Securities Limited. Gilbert + Tobin acted as Australian legal adviser and Latham & Watkins acted as US legal adviser to Australis.

The funds from the conditional placement will be used to settle the acquisition of the Assets and for working capital purposes. New shares will rank equally with existing shares on issue.

As at the date of this Notice, the Company has the following substantial shareholders:

Substantial Holder	Percentage Interest
Jonathan Stewart	17.43%
Eley Griffiths Group Pty Ltd (Eley)	8.17%
Westoz Funds Management Pty Ltd (Westoz)	7.47%
Kinetic Investment Partners Ltd (Kinetic)	5.27%

Mr Stewart will not participate in the placement the subject of Resolution 1. Subject to shareholder approval the subject of Resolution 1, Eley has committed to subscribe for 21,739,130 Shares, Westoz has committed to subscribe for 32,608,696 Shares and Kinetic has committed to subscribe for 26,086,957 Shares under the placement.

If Resolution 1 is passed and the placement is completed, based on public information and commitments received under the placement, the entities and persons who are expected to be substantial shareholders of the Company are set out in the table below. Shareholders should note that under the Corporations Act, a person will be a substantial holder of a company if he or she, together with his or her associates, have a relevant interest in shares which equate to 5% or more of the voting shares in the company. The concept of relevant interest under the Corporations Act is broad and it is possible for a person to have a relevant interest in shares notwithstanding the person does not legally hold the shares. The Company is not in a position to determine the associates and relevant interest in shares of each shareholder, and accordingly it is possible that the Company will have substantial shareholders in addition to those listed below on completion of the placement. It is also possible that the entities below may hold shares without obtaining a relevant interest in reliance on exceptions available under

the Corporations Act. Under the Corporations Act, a person who becomes a substantial shareholder of a company must notify the company and ASX within 2 days of becoming aware of the information.

Substantial Holder	Percentage Interest
Jonathan Stewart	7.67%
Westoz	7.49%
JP Morgan Asset Management	6.62%
Paradice Investment Management Pty Ltd	6.44%
Eley	6.40%
Kinetic	5.68%

The Company is not seeking any approvals under section 611 of the Corporations Act in relation to the placement.

Listing Rule Chapter 7

Resolution 1 seeks Shareholder approval for the purpose of Listing Rule 7.1 and for all other purposes for the issue of a maximum of 434,782,609 Shares at an issue price of A\$0.23 each.

The effect of the placement (on an undiluted basis) on the capital structure of the Company can be summarised as follows:

Shares	Number	Percentage Interest
Shares currently on issue	341,556,866	44%
Shares to be issued under the placement	434,782,609	56%
Total Shares upon completion of the placement	776,339,475	100%

There will be no changes to the number of Options on issue as a result of Resolution 1.

As noted above, Listing Rule 7.1 requires Shareholder approval for the proposed issue of securities in the Company. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

By approving the issue of Shares the subject of Resolution 1, the Company will be able to pay the balance of the purchase price and subject to satisfaction or waiver of other conditions to completion, will be able to acquire the Assets. Further, approval of Resolution 1 will enable the Company to retain the flexibility to issue equity securities in the future up to 15% of annual placement capacities set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 1 is an ordinary resolution.

Technical Information Required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the approval of the proposed issue of the Shares the subject of Resolution 1:

- (a) the maximum number of Shares the Company can issue is 434,782,609 Shares, at an issue price of \$0.23 per Share.
- (b) The Shares will be issued to sophisticated and institutional investor applicants determined by the Directors, such investors being clients of Euroz Securities Limited, none of whom will be related parties of the Company.
- (c) The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally with, the Company's existing Shares;
- (d) The Shares will be issued as soon as practicable after the Meeting, and in any event, within 3 months of the date of the Meeting unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (e) It is anticipated that all of the Shares will be issued on the same date;
- (f) The funds raised from the issue (being in total up to \$100 million (before costs)) will be applied for the purchase of the Assets, the associated leasing program and other general working capital.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

Disclosure

The Company advises that the Board and senior management and their associates have given irrevocable voting intentions totalling 28.8% of the existing share capital, to vote in favour of Resolution 1 at the Meeting.

Name of controller	Total shares controlled	% controlled
Jonathan Stewart ⁽¹⁾⁽²⁾	59,542,859	17.43%
Ian Lusted ⁽³⁾⁽⁴⁾⁽⁵⁾	14,303,572	4.19%
Graham Dowland ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾	14,750,000	4.32%
Alan Watson ⁽¹¹⁾⁽¹²⁾	3,810,000	1.12%
Steve Scudamore ⁽¹³⁾	97,215	0.03%
Michael Verm ⁽¹⁴⁾	3,000,000	0.88%
Julie Foster ⁽¹⁶⁾	1,250,000	0.37%
Malcolm Bult ⁽¹⁵⁾	1,500,000	0.44%
TOTAL	98,253,646	28.78%

⁽¹⁾**JK Stewart Investments Pty Ltd <The Stewart Investment A/C>**, a holder and/or controller of **33,392,858** shares, representing **9.8%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1

⁽²⁾**Epicure Superannuation Pty Ltd <Epicure Superannuation A/C>**, a holder and/or controller of **26,150,001** shares, representing **7.7%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽³⁾**Everzen Holdings Pty Ltd <Lusted Family A/C>**, a holder and/or controller of **10,803,572** shares, representing **3.2%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁴⁾**Goldmantra Corporation Pty Ltd**, a holder and/or controller of **3,000,000** shares, representing **0.9%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁵⁾**IG Lusted Pty Ltd <Lusted Family Super Fund A/C>**, a holder and/or controller of **500,000** shares, representing **0.1%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁶⁾**Avalon Valley Pty Ltd <The GR Dowland Family A/C>**, a holder and/or controller of **1,500,000** shares, representing **0.4%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁷⁾**Avalon Valley Pty Ltd <G R & T J Dowland Family Trust>**, a holder and/or controller of **346,428** shares, representing **0.1%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁸⁾**Avalon Valley Pty Ltd <The GR & TJ Dowland Super Fund>**, a holder and/or controller of **2,100,000** shares, representing **0.6%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽⁹⁾**Treffina Joyce Dowland**, a holder and/or controller of **10,803,571** shares, representing **3.2%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹⁰⁾**Graham Dowland**, a holder and/or controller of **1** shares, representing **0%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹¹⁾**Finter Super Pty Ltd <Finter Super Fund>**, a holder and/or controller of **1,905,000** shares, representing **0.6%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹²⁾**Tomsuca Investments Pty Ltd <Tomsuca Family A/C>**, a holder and/or controller of **1,905,000** shares, representing **0.6%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹³⁾**Kentchurch Pty Ltd <Kentchurch Super Fund>**, a holder and/or controller of **97,215** shares, representing **0.03%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹⁴⁾**Michael Lloyd Verm**, a holder and/or controller of **3,000,000** shares, representing **0.9%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹⁵⁾**Mr Malcolm Ian Bult and Mrs Sally Ann Bult <Bult Family A/C>**, a holder and/or controller of **1,500,000** shares, representing **0.4%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

⁽¹⁶⁾**Mr James Oliver Foster and Ms Julie Mari Foster <Foster Super Fund A/C>**, a holder and/or controller of **1,250,000** shares, representing **0.4%** of shares in Australis, intends to vote all of the shares that it owns or controls in favour of the Resolution 1.

RESOLUTION 2 – ISSUE OF OPTIONS TO A DIRECTOR – STEPHEN SCUDAMORE (or his nominee)

Mr Stephen Scudamore was appointed as an independent Non-Executive Director of Australis effective 30 November 2016. On appointment to the Board, the Directors resolved to grant a total of 420,000 Options to Mr Scudamore (or his nominee), subject to shareholder approval at the Company's next general meeting.

As advised in the announcement on 1 December 2016, the Options will be separated into three series (together the "Director Options") as follows:

-) 140,000 Series A Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125* with an expiry date of 30 November 2021 and vesting on 30 November 2017, subject to the achievement of the Vesting Conditions;
-) 140,000 Series B Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125*, with an expiry date of 30 November 2021, and vesting on 30 November 2018, subject to the achievement of the Vesting Conditions;
-) 140,000 Series C Options for no consideration, each exercisable into one Share and having an exercise price of \$0.3125*, with an expiry date of 30 November 2021 and vesting on 30 November 2019, subject to the achievement of the Vesting Conditions.

**Exercise price calculated on the basis of the formula set out in the announcement dated 1 December 2016 – Australis Appoints New Director.*

The terms of the Series A Options are set out in Annexure A, the terms of the Series B Options are set out in Annexure B and the terms of the Series C Options are set out in Annexure C.

The following table sets out the vesting conditions which apply to each option Series:

Series	No. of Options	Exercise Price	Vesting Conditions	Vesting Date	Expiry Date
A	140,000	\$0.3125	Continuation of service	30 Nov 2017	30 Nov 2021
B	140,000	\$0.3125	Continuation of service	30 Nov 2018	30 Nov 2021
C	140,000	\$0.3125	Continuation of service	30 Nov 2019	30 Nov 2021
TOTAL	420,000				

The Directors believe that the grant of options to Mr Scudamore (or his nominee) encourages alignment of Mr Scudamore's interests with that of shareholders.

In the event all of the Options are exercised, the following amounts are payable to the Company by Mr Scudamore:

Amount to be paid on exercise of Series A Options	Amount to be paid on exercise of Series B Options	Amount to be paid on exercise of Series C Options	Total amount to be paid on exercise of all options
\$43,750	\$43,750	\$43,750	\$131,250

The Company would receive a total of \$131,250 from Mr Scudamore (or his nominee) in the event all of the Director Options are exercised.

Related Party Transactions Generally

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:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. 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, Mr Scudamore is considered to be a related party of the Company because he is a Director.

Resolution 2 provides for the grant of Director Options to Mr Scudamore (or his nominee) which is a financial benefit which 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 and the nature of the financial benefit

See above.

The details of the financial benefit including reasons for giving the type and quantity of the benefit

The terms of the Series A Options are set out in Annexure A, the terms of the Series B Options are set out in Annexure B and the terms of the Series C Options are set out in Annexure C.

Shareholders should note that for the reasons noted above, it is proposed to grant 420,000 Options to Mr Scudamore (or his nominee), notwithstanding the guidelines contained in the Box on page 33 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd Edition) (**Principles**) which states that non-executive Directors should not receive performance-based remuneration or options with performance hurdles attached or performance rights as part of their remuneration as it may lead to bias in their decision-making and compromise their objectivity. The Board considers the grant of Director Options to Mr Scudamore (or his nominee) reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, while maintaining the Company's cash reserves.

The number of Director Options to be granted to Mr Scudamore (or his nominee) has been determined in accordance with the Company's remuneration policy for non-executive directors. The Remuneration Policy aims to attract and retain suitably qualified non-executive directors by ensuring that the remuneration package offered is competitive with market standards and / or practice .

The grant of 420,000 Director Options to Mr Scudamore (or his nominee) reflects:

- (a) previous company practice of offering options to non-executive directors upon appointment;
- (b) the extensive experience and reputation of Mr Scudamore within the finance industry and the benefits that such experience would bring to the Board and Audit and Risk Management Committee;
- (c) the share price at the date of appointment (25 cents).

The grant of Options to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise, encourages the alignment of Directors interests with those of Shareholders whilst maintaining the Company's cash reserves. The Company does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.

Dilution effect of grant of Director Options on existing members' interests

- Proposed Resolution 2 would have the effect of giving power to the Directors to grant a total of 420,000 Options on the terms and conditions as set out in Annexure A (in respect of 140,000 Series A Options), Annexure B (in respect of 140,000 Series B Options) and Annexure C (in respect of 140,000 Series C Options) to this Explanatory Statement and as otherwise mentioned above.
- The Director Options will not be quoted on ASX.

- The Company presently has 341,556,866 quoted Shares on issue and the following unquoted Options:

Options Tranche	Number	Exercise Price	Expiry Date	Vest Date
\$0.25	19,675,000	A\$0.25	31-Dec-20	Vested
\$0.30 Series A	27,775,000	A\$0.30	31-Dec-20	Vested
\$0.30 Series B	1,000,000	A\$0.30	31-Dec-20	Vested
\$0.35 Series A	27,600,000	A\$0.35	31-Dec-22	13-Nov-17
\$0.35 Series B	1,600,000	A\$0.35	31-Dec-22	13-Nov-18
\$0.35 Series C	1,000,000	A\$0.35	31-Dec-22	13-Nov-17
\$0.35 Series D	1,000,000	A\$0.35	31-Dec-22	13-Nov-18
\$0.275 Series A	22,840,933	A\$0.275	30-Jun-19	N/A ⁽¹⁾
\$0.275 Series B	140,000	A\$0.275	24-May-21	See note ⁽²⁾
\$0.275 Series C	140,000	A\$0.275	24-May-21	See note ⁽²⁾
\$0.275 Series D	140,000	A\$0.275	24-May-21	See note ⁽²⁾
	102,910,933			

⁽¹⁾ No vesting condition applies to Options granted as part of the Company's private placement in May 2016 to sophisticated investors.

⁽²⁾ Independent director Options vest 33.3% on each anniversary from the date of grant of 24 May 2016, subject to the grantee remaining a director of the Company.

- If the issue of Shares, the subject of Resolution 1 is approved by Shareholders the Company will have 776,339,475 quoted Shares on issue.
- Assuming that the issue of Shares which are the subject of Resolution 1 are approved by Shareholders and if all Director Options granted to Steve Scudamore (or his nominee) as proposed above are exercised, and assuming the existing unquoted Options on issue are not exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 0.05%. The market price of the Shares during the period of the Director Options will normally determine whether or not an Option holder exercises the Director Options. At the time any Director Options are exercised and Shares are issued pursuant to the exercise of the Director Options, the Shares may be trading at a price which is higher than the exercise price of the Director Options.

Valuation of Director Options

The Company has internally valued each series of the Director Options to be granted to Stephen Scudamore (or his nominee) using the Black & Scholes Option Pricing Model ("BS Model"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an Option calculated by the BS Model is a function of a number of variables and is rounded to the nearest one hundredth of a cent.

The valuation has been calculated in Australian dollars.

Series A Options

The valuation of the Series A Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.29 (being the market value of a Share as at the close of business on 28 February 2017).
Exercise price	\$0.3125
Risk free interest Rate	2.2% (estimated, based on the 5 year Zero Coupon Australian treasury bond rate as at 28 February 2017).
Volatility	85% (as determined from the movement in Share price since incorporation).
Expiry date	30 November 2021

Series B Options

The valuation of the Series B Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.29 (being the market value of a Share as at the close of business on 28 February 2017).
Exercise price	\$0.3125
Risk free interest rate	2.2% (estimated, based on the 5 year Zero Coupon Australian treasury bond rate as at 28 February 2017).
Volatility	85% (as determined from movements in Share price since incorporation).
Expiry date	30 November 2021

Series C Options

The valuation of the Series C Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.29 (being the market value of a Share as at the close of business on 28 February 2017).
Exercise price	\$0.3125
Risk free interest rate	2.2% (estimated, based on the 5 year Zero Coupon Australian treasury bond rate as at 28 February 2017).
Volatility	85% (as determined from movements in Share price since incorporation).
Expiry date	30 November 2021

The Director Options will not be granted until after Shareholders approve the grant of the Director Options at this Meeting. Shareholders are reminded that the announcement proposing these Director Options issues was made on 1 December 2016 following the recommendation of the Remuneration and Nomination Committee and Board approval on 30 November 2016. The closing Share price on 30 November 2016 was \$0.25.

The valuations reflected below do not necessarily represent the market value of the Director Options or the tax values for taxation purposes to the Option holder. The future value of the Director Options may be up or down on the values noted below as it will primarily depend on the future price of a Share (for the next 5 years or so), over the time to expiry of the Director Options.

Based on the above assumptions, and using the closing Share price as at 28 February 2017 of \$0.29 and not the price as at the date immediately preceding the announcement of the Director Option issue of \$0.25, the Company has calculated an indicative value of the Director Options to be granted to Stephen Scudamore (or his nominee) is as follows:

	Value per Option	Total Value
Series A Options	14.96 cents	\$20,944
Series B Options	16.13 cents	\$22,582
Series C Options	17.15 cents	\$24,010

Accordingly and based on the above valuation, the total value of the 420,000 Options to be granted to Stephen Scudamore (or his nominee) is \$67,536.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the Director Options are issued would have an impact on their value.

Mr Scudamore's total remuneration package

Details of Mr Scudamore's base fees per annum (including superannuation), and the total financial benefits to be received by Mr Scudamore in this current period as a result of the grant of the Director Options the subject of Resolution 2 are as follows:

Base fee 2017 (A\$)	Value of Options (A\$)	Total Financial Benefit for 2017 (A\$)
84,862	67,536*	152,398

*The indicative option valuation of A\$67,536 is a theoretical valuation of the Director Options using the BC Model above.

Mr Scudamore's current holdings

Set out below are details of Mr Scudamore's relevant interest in the securities of the Company as at the date of this Notice of Meeting:

Registered holder	Shares	Options
Kentchurch Pty Ltd <Kentchurch Super Fund>	97,215	Nil

Company's historical share price

The following table gives details of the highest, lowest and latest price of the Shares trading on ASX for period from 25 July 2016 (Official List Date) ending on 28 February 2017:

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 28 February, 2017
Shares	\$0.30	28 February 2017	\$0.21	5,6,9,10,11 January 2017	\$0.29

Other Information

Under the Australian equivalent of International Financial Reporting Standards, the Company is required to expense the value of Options in its Statement of Profit or Loss and Other Comprehensive Income over the vesting periods. Other than as disclosed in this Explanatory Statement, 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 Director Options pursuant to Resolution 2.

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 Resolution.

Listing Rules 10.11 and 10.13

Listing Rule 10.11 requires the approval of Shareholders by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the grant of Director Options to Mr Scudamore (or his nominee).

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders:

- (a) the Director Options will be issued to Mr Stephen Scudamore (or his nominee), who is a Director, as noted above;
- (b) the maximum number of Director Options to be issued to Mr Stephen Scudamore (or his nominee) is 420,000;
- (c) the Director Options will be issued on a date which will be no later than 1 month after the date of this General Meeting or on such other date as approved by ASX;
- (d) the Director Options will be issued for no consideration;
- (e) no funds will be raised by the issue of the Director Options. The funds raised if the Director Options are exercised will be used for general working capital; and
- (f) the terms and conditions of the Director Options are set out in Annexure A (in respect of the Series A Options), Annexure B (in respect of the Series B Options) and Annexure C (in respect of the Series C Options) to this Explanatory Statement.

If approval is given for the issue of the Director Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Directors' recommendation

All the Directors were available to make a recommendation.

Messrs Jonathan Stewart, Ian Lusted, Graham Dowland and Alan Watson (who have no interest in the outcome of Resolution 2) recommend that Shareholders vote in favour of Resolution 2. Mr Stephen Scudamore declines to make a recommendation about Resolution 2 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Director Options to him.

Additional Information

Note that a voting exclusion applies to Resolutions 1 and 2 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 2016, along with the Company's interim financial statements as at June 30, 2016 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 2, Suite 20, 22 Railway Road, Subiaco, Western Australia 6008, Australia, telephone number +618 9380 2750.

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 2016 Annual Financial Statements, 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

\$ means Australian dollars.

US\$ means US dollars

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

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.

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

Board means the Directors.

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).

Directors means the directors of the Company.

Director Options means the proposed grant of 420,000 Options to Stephen Scudamore (or his nominee) on the terms and conditions set out in Annexures A, B and C.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

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

Meeting means the General Meeting convened by the Notice.

Notice means this Notice of General Meeting.

Notice of Meeting means this Notice of General Meeting.

Optionholder means a holder of an Option.

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

Proxy Form means the proxy form accompanying the Notice.

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.

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

Shares means fully paid ordinary shares in the capital 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 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.

ANNEXURES

Annexure A – Terms of the \$0.3125 Cent (Series A) Options

Annexure B – Terms of the \$0.3125 Cent (Series B) Options

Annexure C – Terms of the \$0.3125 Cent (Series C) Options



ANNEXURE A

31.25 Cent (Series A) 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 the higher of:
 - i) 25% above the last raising price (for this purpose this will be the IPO raising price of \$0.25); or
 - ii) 25% above the 30 day VWAP immediately prior to date of grant.
- 3) 140,000 options will vest on 30 November 2017 (**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 a Director 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 30 November 2021 (**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 (b) 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 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.



ANNEXURE B
31.25 Cent (Series B) Options

- 1) Each Option entitles the holder to subscribe for and be issued one ordinary share in Australis Oil & Gas Holdings Pty Ltd (**Australis or the Company**) upon payment of the exercise price.
- 2) The exercise price is the higher of:
 - i) 25% above the last raising price (for this purpose this will be the IPO raising price of \$0.25); or
 - ii) 25% above the 30 day VWAP immediately prior to date of grant.
- 3) 140,000 options will vest on the 30 November 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 a Director 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 30 November 2021 (**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 (b) 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 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.



ANNEXURE C
31.25 Cent (Series C) Options

- 1) Each Option entitles the holder to subscribe for and be issued one ordinary share in Australis Oil & Gas Holdings Pty Ltd (**Australis or the Company**) upon payment of the exercise price.
- 2) The exercise price is the higher of:
 - i) 25% above the last raising price (for this purpose this will be the IPO raising price of \$0.25); or
 - ii) 25% above the 30 day VWAP immediately prior to date of grant.
- 3) 140,000 options will vest on the 30 November 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 a Director 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 30 November 2021 (**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 (b) 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.

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“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 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.

PROXY FORM

AUSTRALIS OIL & GAS LIMITED

ACN 609 262 937

Appointment of Proxy

If appointing a proxy to attend the 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 **OR** (mark with an "X")

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 General Meeting to be held on 10 April 2017 at 11.00am (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

The Chair of the Meeting intends to vote all available undirected proxies in favour of Resolutions 1 to 2 (inclusive).

Important for resolution 2 – If the Chair of the meeting is your proxy or is appointed 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 2 (except where I/we have indicated a different voting intention) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

RESOLUTION	For	Against	Abstain*
1. Approval for the Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Issue of Options to a Director – Stephen Scudamore	<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

Sole Director and Sole Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Director/Company Secretary

Date: _____ / _____ 2017

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 General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the 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 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 11.00am (AWST) on 8 April 2017 (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:** Suite 20, Level 2, 22 Railway Road, Subiaco, Western Australia
- Postal address:** Suite 20, Level 2, 22 Railway Road, Subiaco, Western Australia
- Email:** jfoster@australisoil.com
- Fax number:** +61 (0) 8 9380 2799