

For Immediate Release ASX Announcement

13 April 2017

## **Australis completes A\$100m share issue to settle US shale acquisition**

### **HIGHLIGHTS**

- Australis secures large, strategic, operated, producing acreage position in the core of Tuscaloosa Marine Shale (TMS)
- Raises A\$100 million (before costs) via 434.78 million new fully paid ordinary share issue at A\$0.23/share
- Placement funds will be used to complete the purchase of all the Encana TMS assets from a subsidiary of Encana Corporation and for working capital with completion to occur during 13 April 2017 (US time)
- Consideration for the purchase of the Encana TMS assets of US\$80 million adjusted to US\$68.3 million, principally for net oil sales (after operating costs) of US\$10.8 million
- TMS is an emerging oil producing shale basin with significant development potential
- Australis will be the largest operator within the oil rich TMS core
- March 2017 production of approximately 1,700 bbls/d (net of royalties), generating positive cashflow
- PDP reserves of 5.0 million bbls and 2C Resource of 106 million bbls oil total post acquisition
- Australis' net cash position following completion of the TMS acquisition will be US\$22 million

Australis Oil & Gas (ASX: ATS) (Australis or the Company) is pleased to announce the completion of the A\$100 million share placement to fund the acquisition of all of the TMS assets of Encana Oil & Gas (USA) Inc a subsidiary of Encana Corporation (Encana). Settlement of the acquisition will occur automatically upon Encana's receipt of the purchase price which is expected today US time.

The TMS is one of the last remaining emerging oil producing shale basins. On completion Australis will hold 81,000 net acres in the oil rich TMS core, making it the largest holder in that region, with acquired average March 2017 production, net of royalties, of approximately 1,700 bbls/d, generating positive cashflow from 31 producing gross wells.

Chairman Jonathan Stewart said: *"We were very pleased with the level of support we received from our existing shareholders and from new investors. The acquisition of this large acreage position within the TMS core, together with the associated production and cashflow, proven reserves and large undeveloped resource provides the platform for significant value creation for those shareholders.*

*"Through our two acquisitions in the TMS, Australis has been able to achieve a strategic acreage position within one of the few remaining undeveloped oil producing basins in the US. Pleasingly, we have retained significant flexibility with respect to the financing, timing and extent of future development as a result of:*

- *Our operator status which ensures direct control over the timing and amount of capital expenditure to be committed*
- *Our existing cash balance and expected cash flows from our existing production*
- *Our ability to leverage our unique acreage position to consider partnership opportunities at the appropriate time."*

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The TMS acquisition has:

- A focus area of 62,000 operated net acres, 35% Held By Production (HBP), within the oil production delineated TMS Core area
- This focus area is contiguous with Australis' existing ownership position of 19,000 net acres
- Proved Developed Producing (PDP) reserves of 5.0 million bbls independently valued at US\$95 million (NPV10, forward strip 1 February 2017)
- 2C Resource of 106 million bbls oil total post acquisition

Australis' net cash position following completion of the TMS acquisition will be US\$22 million.

Since the transaction announcement on 28 February 2017, Australis has completed a program of environmental and land diligence, as well as confirming the excellent technical engineering carried out by Encana to optimise drilling and completion design.

## THE TMS ACQUISITION

Australis through its wholly-owned American subsidiary, Australis TMS Inc., will acquire from Encana all of Encana's TMS assets (Assets) for cash consideration of US\$68.3 million, being the contract price of US\$80 million less the net effect of the various adjustments totalling US\$11.7 million, reflecting the operating period from the effective date of the acquisition, 1 November 2016, through to the completion date. The material adjustment relates to oil production and sales net field revenue (after field operating costs) of US\$10.8 million. On receipt of the purchase price by Encana, including release from escrow of the previously paid deposit, the completion documentation will automatically be released from escrow and completion of the TMS asset acquisition will occur.

The TMS assets include:

- Working interests in 31 operated and producing wells (29 net wells) and 16 non-operated producing wells (1.6 net wells)
- 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 transferred by Encana

This acquired acreage position is contiguous with Australis' existing 50% working interest in 38,000 acres which Australis will become operator of in Q1 2018. On 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, with existing oil production and significant free cashflow.

Independent engineers, Ryder Scott Company LP, place a pre-tax NPV 10 value of US\$95 million for the Asset PDP oil reserves of 5.0 million bbls as at 1 February 2017 (the Investor Presentation released to the ASX on 28 February 2017 contains further disclosure on the Ryder Scott report).

The net acreage position provides Australis with significant upside. Ryder Scott estimates 106.6 million bbls of 2C Oil Resources based on an 8% recovery. Based on 250 acre spacing to achieve similar recovery factors, Australis estimates that there are 291 future net well locations. This analysis was based on the focus 81,000 net acres only and excluded the 60,000 acres within the TMS Core area but outside the existing permitted drilling units.

### Planned Development Activity for 2017

Australis will become the Operator of the 31 producing wells and eight former Encana TMS field staff have agreed to join Australis ensuring a smooth transition.

Australis will hold over 140,000 net acres in the TMS Core of which over 20,000 net acres are HBP status. Initially the Company will focus on maintaining and extending leases within the 40,000 net acres located within existing permitted drilling units. This activity is expected to be funded from operating free cashflow. This large

acreage ownership within the TMS core offers considerable flexibility for financing and partnering alternatives for the future.

Australis intends to include third parties also involved in the TMS in the next phase of development activity which is likely to be a small number of wells drilled in early 2018 within existing permitted drilling units.

## SHARE PLACEMENT

Following the approval from shareholders at the General Meeting held on Monday 10 April 2017, Australis completed the issue of the share placement, announced on 28 February 2017, to institutional and sophisticated investors. A total of 434,782,609 new ordinary fully paid shares have been issued and allotted to raise A\$100 million, before costs of the issue, at A\$0.23 per new Australis share.

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

A completed Appendix 3B in respect of the placement shares is also being released today.

## FURTHER INFORMATION

All numbers are rounded. Further details about the acquisition of the Encana TMS Assets and the placement of shares are set out in the recent ASX announcements and are included with in the Company's website - [www.australisoil.com](http://www.australisoil.com).

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**Future performance:** This announcement contains certain forward-looking statements and opinion. Generally, words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. The forward-looking statements, opinion and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Australis. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward looking statements or other forecast.

**Estimates:** Estimates are taken from the announcement titled "US Shale Acquisition and A\$100 Million Placement" dated 28 February 2017. Australis is not aware of any new information or data that materially affects the information included in the referenced announcement and all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

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