



AUSTEX OIL LIMITED AND ITS U.S. SUBSIDIARIES INITIATE VOLUNTARY CHAPTER 11 PROCEEDINGS IN THE U.S.

On 3 June 2019 (Houston time), Austex Oil Limited (ASX: AOK) ("**Austex**" or the "**Company**") and its U.S. subsidiaries ("**Companies**") filed voluntary petitions for reorganisation under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Oklahoma ("**Filings**").

Background to the Filings

The Companies were engaged in the business of acquisition of leases, drilling and operation of oil and gas wells. This business historically operated on a cash flow positive basis, even during the downturn of commodity prices from 2014 through 2017.

During 2016 and early 2017, with the assistance of its largest common and preferred shareholder, Ptolemy Energy Holdings, LLC ("**Ptolemy**"), the Company was actively pursuing acquisitions to increase its asset and revenue bases. There were two acquisitions completed, one in Kay County and the other in Creek and Lincoln Counties that were adding value to the Company whilst taking advantage of this downturn in commodity prices. The Company was pursuing a further potential, larger acquisition to be funded with the assistance of Ptolemy providing a US\$50 million bank letter to enable the bidding, although our overall bid of US\$90 million was ultimately unsuccessful.

Litigation was filed in Southern District of New York in March of 2017 by certain preference shareholders ("**Preference Shareholder Litigation**") under a perceived clause in the original subscription agreement. This litigation effectively halted the Company's ability to continue with its acquisition strategy and caused the Company's primary bank lender, Macquarie Bank, to seek to reduce the Company's borrowing capacity and ultimately required a payout of the entire loan. The Company was able to negotiate a loan with another bank, but the Preference Shareholder Litigation became an obstacle to the final closing of the new facility.

With the overhang of the Preference Shareholder Litigation, the Company was no longer in position to raise additional common nor preferred equity, pursue acquisitions, nor drill new wells, and therefore made the decision to monetize its assets in an orderly fashion in an attempt to resolve the outstanding litigation and an overall settlement with its preferred shareholders and other creditors.

The Company has subsequently been unable to successfully negotiate a satisfactory settlement in relation to the Preference Shareholder Litigation and, is a named defendant in sixteen class

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action lawsuits for damages caused by seismic activity in Oklahoma, as a result, with no operating assets, was left with no alternatives but to seek protection by filing voluntary petitions for reorganisation under Chapter 11 of the U.S. Bankruptcy Code.

For further information please contact Andrew Bursill, Company Secretary on +61 9299 9690.

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